WEEKLY MEDIA UPDATE

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(This document comprises news clips from various media in which Balmer Lawrie is mentioned, news related to GOI and PSEs, and news from the verticals that we do business in. This will be e-mailed on every Monday.)

Balmer Lawrie in News

Travel industry heads for further consolidation

Online platforms have made a significant impact on the traditional travel agency businesses

The domestic travel industry is heading for further consolidation as traditional travel agencies are finding it difficult to survive in a fast changing business environment. With margins coming under pressure and online travel agencies fast gaining popularity, many of them, primarily engaged in ticketing service, are either up for sale or seeking mergers with financially stronger players, according to M&A (mergers and acquisitions) (M&A) experts.

"The ticketing business is becoming competitive, and the online platforms have made a significant impact on the business models of traditional travel agency businesses. Earlier, travel agencies had a safe business model, and now the business has become risky. It has become difficult for them to survive. In the last few days, we have received calls from several people who are running travel agencies for over 25 years with reasonable business expressing intention to exit or aligning themselves with stronger players," Ajay Lodha, Partner, Singhi Advisors, a firm advising M&A deals told The Hindu.

More M&A deals likely
Experts said the travel industry, which witnessed three M&A deals recently, including Balmer Lawrie acquiring specialised travel company Vacation Exotica; MakeMyTrip acquiring Netherland-based EasyToBook.com group; and Thomas Cook India deciding to merge Sterling Holiday Resorts with itself, is set to witness more M&A deals this year. "All trends suggest more M&A activity is coming to the travel sector in 2014. The relative sluggishness has created a pent-up demand for M&A activity, which is likely to trigger more and bigger deals in the coming years. It is also the fact that creating a market-leading business in this sector organically is becoming more difficult and expensive, and so companies are look at M&A activity," said Anil Khandelwal, CFO, Cox & Kings.

Elaborating on the reasons behind the acquisitions, Mr. Lodha said: "Companies are seeking to evolve their businesses from a low margin to high margin or consolidate their presence in the market. This could be done by enhancing service offering to customers like MakeMyTrip acquiring hotel aggregators to offer hotel rooms at competitive rates to its customers or strong ticketing player Balmer Lawrie, acquiring a business specialising in outbound tours. Consolidation also allows for reduction in cost of acquiring and servicing customers." According to him, travel platforms with technology edge could be benefit at a time when the sector is growing at 8 to10 per cent. "We expect consolidation of businesses to continue as stronger travel brands will emerge with an ability to offer good service and options to customers. We are witnessing significant investments happening in technology by travel platforms and that will significantly impact travel services delivery. Such platforms could become attractive acquisition targets in time to come," Mr. Lodha added.

The Hindu - 16.02.2014

http://www.thehindu.com/business/Industry/travel-industry-heads-for-further-consolidation/article5693776.ece

Travel industry eyes consolidation

The travel and hospitality industry, which underwent a series of lows when the recession hit the market, is expected to see a consolidation wave, feel industry experts. The year 2014 began with some major movements seen in the travel segment. The country's leading integrated travel and travel related financial services company Thomas Cook has recently announced Rs 870 crore merger deal with Chennai-headquartered Sterling Holiday Resort. Much on the same line, the leading online travel portal MakeMyTrip recently acquired Dutch hotel portal EasyToBook.com for a total consideration of about $5 million. Similarly, the state-owned mini-ratna Balmer Lawrie & Co, which has diversified business portfolios, took over the holiday brand Vacations Exotica. Travel market research company

PhoCusWright's senior manager -- Asia Pacific Virendra Jain, said the recent deals are different in nature though they look similar from outside. While for one company, it is a natural process of growing through acquisition, for the other, it is more of trying to create a balance between the tourism business -- Indian travelers in this case. However, most travel operators have realised that heavy reliance on air ticketing business may prove to be adverse in the long run as seen in India because of structural challenges in air and declining commissions.

Industry officials say that aviation has turned into a commoditised business where the opportunity for players to provide differential value propositions is almost impossible. "On the other hand, the hotel space offers a much better opportunity in terms of margins since the overall supply of branded hotels is still very low in India compared to other markets. And with the Indian travelers evolving and getting experiential combined with the comfort in searching, shopping and booking online; hotels, holidays and packages offers a phenomenal silver lining for the industry," says Jain.

The merger with Stirling will help Thomas Cook India to gain access to Sterling Resorts' network of 19 resorts in 16 holiday destinations across India. The company also has 15 additional sites where it plans to add new resorts in the coming years. Sterling's affiliation with Resort Condominiums International (RCI) - the global expert in exchange vacations, also allows its members to vacation in over 4,000 RCI-affiliated resorts all over the world. According to a travel and hospitality analyst, Sterling was reporting losses for the past few years and it was looking for an exit route. However, the present deal fits just fine into the strategy of Thomas Cook and both companies will benefit out of this.

Shejal Ajmera of stock market training centre Crispidea said, "Thomas Cook has offered approximately 20-25 per cent premium over existing valuation. Companies like Thomas Cook are obviously taking advantage of free cash flow available to them to make acquisitions. Their margins have been under pressure although they have been growing well over the last few years. It has been taking up cost cutting measures to expand their margins and they are also looking at adding businesses into their portfolio that provides them above average profitability. This is certainly a big bet for Thomas Cook but given that it is purchasing hard assets, this is a fair valued deal over a longer term horizon."

For MakeMyTrip, the recent acquisition seems to be a natural means of growing. The Nasdaq-listed company acquired majority stake in a Singapore-based tours and hotel reservation agency Luxury Tours and Travels Pte Ltd for $3.4 million in May 2011. Same year in July, it bought a stake in Ixigo.com, an online travel search engine, for a sum of $4.8 million, and in November, it bought 29 per cent stake in Delhi-based MyGuestHouse Accomodations Pvt Ltd for $1 million. In November 2012, it acquired a majority stake in Thailand-based hotel aggregator and tour company ITC Group for $3.2 million. "The company is growing systematically through acquiring supply and distribution networks for Indian travelling outbound, especially to the Southeast Asia which is especially popular with the first time and short-haul leisure travelers. Now that it has a significant presence in Southeast, Europe seems only but a natural progression to tap into the potent outbound Indian traveler segment" said Jain. The ticketing business has come under lot of competition and the margins are under pressure. "In fact the cost of a new customer acquisition is higher than the customer profitability especially given high churn and lower customer loyalty rates," said Ajmera. According to Ajmera, there are specific segments in the hospitality and travel sector that are under pressure. "The segments that are either too capital-intensive such as hospitality business or areas where there is heightened competition such as online travel are under pressure. Since the asset-heavy businesses have longer time horizon and they witness good degree of capital appreciation on their properties, consolidation is a less likely scenario there. We are most likely to witness more consolidation in the online travel marketplace where the margins are squeezed out and incremental cost of customer acquisition is proving to be higher than the lifetime profitability on a customer."

While both Thomas Cook and MakeMyTrip are strengthening their hotel inventories, the Kolkata-based Balmer Lawrie is looking at strengthening its foothold in the packaged tours segment. However, according to industry experts, the packaged tour segment is a complex segment. "However, Balmer Lawrie being a PSU with a number of other PSUs as its client, the acquisition may help it in garnering better margins since many of its portfolios were not doing performing well for a while," said an expert. Ajoy Lodha, partner at Singhi Advisors, which facilitated the Balmer Lawrie deal, said in a statement, "Travel business is going through a phase of consolidation as service providers are looking keenly to add value added services which can enhance margin in their business. The reduction of credit periods in ticketing business and price wars have pushed margins down in air ticketing business significantly. The packaged tours business especially outbound has reasonable entry barriers and also far better margins and therefore attractive to players strong in ticketing space."

Talking about the current movements in the travel industry, Rashesh Shah of ICICI Direct, said the hospitality segment will see some sort of consolidation as most players are suffering. "Two major deciding factors are location and pricing. So while the mid-market hotels are doing fairly better, the luxury entities have reported huge losses for many quarters," said Shah.

Financial Chronicle (Mydigitalfc.com) - 16.02.2014

http://www.mydigitalfc.com/news/travel-industry-eyes-consolidation-982

Government counting on higher dividends from PSUs, PSBs

Ballooning fiscal deficit has become a serious threat to the Indian economy. During the first nine months of the current fiscal year the county's fiscal deficit stands at Rs 4.16 trillion, according to the Controller General of Accounts (CGA). This is 95 per cent of the full-year target of Rs 5.42 trillion projected in the Budget Estimate (BE). Multiple measures have been taken by the government to reduce the gap. One such measure was disinvestment of government stake in the public sector units (PSUs). But a weak market sentiment and internal issues in the companies have caused hindrances for the government in its disinvestment activities.

The government's plan to sell its residual stake in companies like Hindustan Zinc and Balco, in which the government holds 29.5 per cent and 49 per cent stake, respectively, is also getting delayed due to lengthy process involved in arriving at the right valuation. Also, the dilution of government stake in blue-chip companies namely Axis bank, L&T and ITC through SUUTI (Special Undertaking of Unit Trust of India) is not scheduled, but we need to see at what price the sales get executed. Under such circumstances, the government is counting on higher dividends from PSUs and PSBs in order to restrict its fiscal deficit within the BE of 4.8 per cent of GDP.

The Economic Times - 11.02.2014

http://economictimes.indiatimes.com/markets/analysis/government-counting-on-higher-dividends-from-psus-psbs/articleshow/30167899.cms

Govt asks ministries to formulate package to revive sick CPSEs

Aiming to fast-track the revival of sick central public sector enterprises (CPSEs), government has asked the concerned ministries to formulate a package and submit it to the Board of Reconstruction for Public Sector Enterprises (BRPSE), Parliament was informed today.

The administrative ministries of sick CPSEs have been asked to obtain approval of the competent authority on the recommendations of the BRPSE within 8 weeks time, Union Minister of Heavy Industries & Public Enterprises Praful Patel said in a reply to the Rajya Sabha. Patel said there were 64 sick CPSEs as on March 31, 2012. by various administrative ministries including 49 sick CPSEs

Govt getting realistic on sell-off

The finance ministry has started to take a realistic view of the money it could raise from disinvestment in FY14. According to ministry officials, the government should be able to gather R10,000-13,000 crore, way below the disinvestment target of R40,000 crore set for this financial year.

The tapered expectation is thanks to the cancellation of the stake sale plan in Coal India, which could have given the government up to R20,000 crore. Now, the government is expecting about R4,500 crore from the sale of a 10% stake in Indian Oil Corporation (IOC) to Oil India and ONGC, while another R2,100 crore is expected from a similar sale in Bhel. The government is also expecting about R3,000 crore from exchange traded funds and about R500 crore from the follow-on public offering in Engineers India. So far, only R3,000 crore has been raised from minor stake sales in companies like PowerGrid, Hindustan Copper, National Fertilisers and MMTC.

Since it is crucial for the government to meet its fiscal deficit target of 4.8% to avoid a skeptical view from international rating agencies, attempts are being made to fill up the shortfall by forcing cash-rich PSUs to give a higher dividend.

The Financial Express - 12.02.2014

http://www.financialexpress.com/news/govt-getting-realistic-on-selloff/1225225

Vote on Account 2014: Reduce deficits through privatization

The red line for the fiscal deficit/GDP ratio was 4.8% in 2013-14. Ostensibly, FM will adhere to this. Expenditure will be postponed to 2014-15. Expenditure incurred in Q4 of 2013-14 will be booked in Q1 of 2014-15. Plan/capital expenditure will be slashed. Had it not been for this, the fiscal deficit/GDP ratio would probably have been 5.4%. This is using the definition of fiscal deficit as it stands.

There is an entirely valid argument that other liabilities and off-budget items should also be included. If one does that, there are IMF estimates that the fiscal deficit/GDP ratio in 2013-14 will be more like 8.5%.

as on March 31, 2012.

Business Standard - 11.02.2014

http://www.business-standard.com/article/pti-stories/govt-asks-ministries-to-formulate-package-to-revive-sick-cpses-114021101119_1.html

Strong government in India won't be a game changer: Moody's

A strong showing by one of the major parties in the upcoming general elections in India would not by itself translate into an immediate improvement in economic growth and fiscal consolidation," Moody's Investors Service says in its latest report.

Explaining the same, it says: "specific composition of governments has little direct bearing on India's growth or fiscal trends." "For example, despite an ostensibly weak Congress Party-led coalition taking the helm during the 14th Lok Sabha, from May 2004 until May 2009, economic growth clocked an impressive average of 8.5 per cent per annum. On the flipside, the Congress party's 203 seats in the 15th Lok Sabha - the strongest single party majority in 18 years - has not prevented a major slowdown in headline economic expansion."

Further, it says, "even if the next government were to be led by a strong majority stakeholder, the need to keep smaller coalition allies on board would remain a key challenge to policy formation and implementation at a national level."

Economic Times - 11.02.2014

http://articles.economictimes.indiatimes.com/2014-02-11/news/47235566_1_india-s-next-government-fiscal-consolidation

Tax rejig plea to help MFs

Sebi today proposed that the tax exemption limit under Section 80C of the income tax act — which covers all popular investment choices of the taxpayer — should be enhanced to Rs 2 lakh. The move is designed to help various mutual fund schemes to qualify for these tax breaks. According to Section 80C, investments up to Rs 1 lakh are eligible for deduction from the gross total income, bringing down the total taxable income of the taxpayer. Investments made in equity-linked savings scheme (ELSS) are eligible for tax benefit under this section.

The market regulator, which has been considering ways to drum up retail investment in mutual funds, has suggested that tax incentives should be given to channelise household savings into long-term investment products. The Sebi board that met in Delhi today said the Rajiv Gandhi Equity

The Economic Times - 12.02.2014

http://economictimes.indiatimes.com/news/economy/finance/vote-on-account-2014-reduce-deficits-through-privatization/articleshow/30286953.cms

Economic governance needs a lighter touch

There is much lamentation in India about the lack of governance in general, and about poor economic governance in particular. It is important to place things in context as we try to evaluate how we have fared in this regard. Economic governance cannot be disassociated from political governance. In his 1989 essay, Francis Fukuyama argued that while there might be many competing forms of social and political organisation, none could claim to be superior or more durable than the idea of a liberal democracy.

He went further to make the case that liberal democracy works better with, and is bolstered by, free markets. Since then the global economy has suffered the Asian financial crises of 1997 and the so-called global financial crisis of 2008. This has reignited the debate about the role of markets, their efficacy, and their contribution to growing inequality. In parallel, the world has seen the spectacular economic success of the Chinese model of state capitalism. Was Fukuyama not premature in declaring the "End of History"?

Business Standard - 13.02.2014

http://www.business-standard.com/article/opinion/rajiv-lall-economic-governance-needs-a-lighter-touch-114021301701_1.html

SCOPE highlights need to strike balance between autonomy and control in PSEs

There is an urgent need to empower the board of public sector enterprises (PSEs) to decide on strategy and implementation of it, without day-to-day interference from their administrative ministries, Standing Conference of Public Enterprises (SCOPE), the apex body of central government owned public enterprises, has said.

To improve corporate governance and strike the right balance between autonomy and state control, SCOPE has said a well-documented ownership policy is required. Incidentally, there is no ownership policy by administrative ministry even after more than six decades of existence of PSEs.

Savings Scheme — which extends tax breaks to newbie investors in the stock markets — could also be brought within the ambit of the enhanced ceiling.

The Telegraph - 14.02.2014

http://www.telegraphindia.com/1140214/jsp/business/story_17936863.jsp#.Uv2XlfmSwuQ

Growth of 12.6% in tourist availing of "Tourist Visa on Arrival" (VoA) Scheme in January, 2014

A growth of 12.60 percent has been recorded in the number of tourists availing of the tourist Visa on Arrival (VoA) Scheme during the period January 2014. A total number of 1,903 VoAs have been issued in this period as compared to 1,690 VoAs during the corresponding period of 2012 registering a growth of 12.60 per cent.

Business Standard - 12.02.2014

http://www.business-standard.com/article/news-cm/growth-of-12-6-in-tourist-availing-of-tourist-visa-on-arrival-voa-scheme-in-january-2014-114021200654_1.html

Sabre Launches Communication Dashboard for TripCase Connect

Sabre, a global travel technology company, has launched a new communications dashboard for Sabre customers using TripCase Connect, the travel industry's first set of integrated online tools for serving travelers via mobile, email and Web.

IT News Online - 13.02.2014

http://www.itnewsonline.com/showprnstory.php?storyid=310114

Best time to fly: Foreign airlines line up offers to lure Indians

With India slowly emerging as an aviation hub and increasing number of Indians taking to foreign travel, international carriers are vying with each other for a pie of the Indian international passenger traffic.

A number of foreign carriers have announced limited period discount offers and schemes to attract Indian travellers. British Airways, for example, is offering a discount of up to 70% on couple tickets to London and other destinations including Edinburgh, Glasgow and Manchester.

The Hindustan Times - 17.02.2014

http://www.hindustantimes.com/business-news/foreign-airlines-line-upoffers-to-lure-

The Economic Times - 12.02.2014

http://economictimes.indiatimes.com/news/economy/indicators/scope-highlights-need-to-strike-balance-between-autonomy-and-control-in-pses/articleshow/30296897.cms

SpiceJet offers its flyers chance to win 1 lakh free seats this month

After attempting to stimulate the market with discounts, low-cost carrier SpiceJet will offer its flyers a chance to win a free ticket. As part of an offer for celebrating the month of Valentines, SpiceJet has kept aside 1 lakh free tickets which flyers in February can win through a lucky draw. The winners of the draw will be announced in the first week of March.

The Economic Times - 10.02.2014

http://economictimes.indiatimes.com/news/news-by-industry/transportation/airlines-/-aviation/spicejet-offers-its-flyers-chance-to-win-1-lakh-free-seats-this-month/articleshow/30151325.cms

AirAsia shuts operations to 4 Indian cities while Indian carriers expand on SE Asian routes

Indian low-cost carriers may have been apprehensive of ensuing competition as AirAsia readies for its India takeoff, but they seem to have successfully dealt with Tony Fernandes' airline on the Southeast Asian routes. AirAsia shut operations to four Indian cities over the past four years, going by its rigid stand of flying only on routes that become profitable within a year.

The Economic Times - 14.02.2014

http://articles.economictimes.indiatimes.com/2014-02-15/news/47358921_1_airasia-group-airasia-x-airasia-india

Panel set up to expedite setting up of 2 new ports

An empowered committee of secretaries has been set up to expedite setting up two new major ports in the country, Parliament was informed on Thursday. These two ports are proposed at West Bengal and Andhra Pradesh, entailing an investment of Rs. 15,820 crore.

“Steps have been taken for speedy implementation of projects...empowered committee of secretaries to resolve implementation related matter has been constituted,” Shipping Minister G K Vasan told the Rajya Sabha in a written reply. Vasan said techno-economic feasibility study has already been conducted while limits for port in Andhra indians-goodies-include-70-discount/article1-1184691.aspx

Pradesh Dugarajapatnam have been notified. Transaction advisor for West Bengal port to be set up at Sagar has been appointed, he said.

The Hindu Business Line - 13.02.2014

http://www.thehindubusinessline.com/economy/panel-set-up-to-expedite-setting-up-of-2-new-ports/article5685417.ece?ref=wl_industry-and-economy

State-level ports to come under rate regulations

The Union government is making a back-door attempt to regulate rates at ports that are owned by state governments and given to private firms for development and operations at a time when calls for freeing port tariffs have intensified. State ports are free to set their own rates, unlike the dozen ports controlled by the Union government. The plan will be implemented through a so-called model concession agreement for new ports that are built with some funding from the Union government.

"A balanced mechanism for determination of tariffs has been specified for the entire concession period since this would be of fundamental importance in estimating the revenue streams of the project and, therefore, its viability," the model agreement drafted by the Planning Commission said. Mint has reviewed a copy.

Live Mint - 14.02.2014

http://www.livemint.com/Industry/LImKjV1mUF1hfFRYp66TqL/Statelevel-ports-to-come-under-rate-regulations.html

Energy sector will continue to suffer

In the first nine months of 2013-14, India imported a little over 3.8 million barrels of crude oil a day – overtaking Japan in import volume. This makes India the third-largest oil importer in the world, behind China and the US.

By 2020, the International Energy Agency (IEA) estimates India will become the world's largest oil importer. The Indian government, meanwhile, hopes it will achieve energy sufficiency by 2030, making imports unnecessary. It is very unlikely that IEA and the government are both correct in their projections.

Business Standard - 16.02.2014

http://www.business-standard.com/article/pf/energy-sector-will-continue-to-suffer-114021600628_1.html