

How Gautam Thapar lost control of his companies

Avantha Group fell prey to its ambitious inorganic growth and diversification

AMRITHA PILLAY
Mumbai, 19 May

In the first week of May, YES Bank invoked the pledge on Gautam Thapar's shares in CG Power and Industrial Solutions, which resulted in the promoter's exit as a shareholder from the company. In 2015, he had already sold his entire shareholding in Crompton Greaves Consumer.

A little more than 10 years since it was renamed, Gautam Thapar's Avantha Group is a far cry from its past glory. The conglomerate, which was thriving in 2007, fell prey to its own ambitious inorganic growth and diversification into power generation, industry experts say.

"Avantha Group is a case similar to some other conglomerates in India that are facing the brunt of inorganic growth, which back then looked like a good decision. The existing good businesses of the group failed to support these loss-making acquisitions beyond a point," said a rating agency analyst who did not wish to be named.

At the time of unveiling Avantha Group's new identity in 2007, Chairman Gautam Thapar was quoted saying: "Consolidation involves coming together as a group, leveraging on individual and collective strengths and working together for higher ambitions and market aggressiveness." Back then, Ballarpur Industries Ltd (BILT) and Crompton Greaves were two of the leading group companies, both listed on the bourses. Avantha Power and Infrastructure was still at a nascent stage.

Mired with financial troubles, Thapar demerged the consumer business, which became Crompton Greaves Consumer Electricals, and the erstwhile Crompton Greaves became CG Power and Industrial Solutions. Thapar's stake in Crompton Greaves Consumer, which also houses the brand, was sold to private equity (PE) funds Advent International and Temasek Holdings for ₹2,000 crore in 2015. Promoters had also pledged CG Power shares against loans they took to invest in other businesses.

"Thapar did not see a long-term opportunity in a strong brand like Crompton Greaves and, hence, decided to monetise

ILLUSTRATION: AJAY MOHANTY



it at one go," said another analyst on condition of anonymity.

Lenders had taken control of the group's oldest business — BILT — under strategic debt restructuring in May 2017, converting their loans into equity and taking 51 per cent equity stake.

Avantha Power and Infrastructure is at the National Company Law Tribunal (NCLT) over debt default. "In one of our last meetings with the promoters six to seven years back, the group did not want to focus on flagship Crompton Greaves due to competition from biggies like GE and Siemens, which were strong on R&D," said a fund manager. "Instead, he saw bright prospects in the power business, where you take up a coal mine and sell power to the government," the manager said. The strategy failed after a Supreme Court order cancelled coal mining licences in 2014, and left power assets stranded.

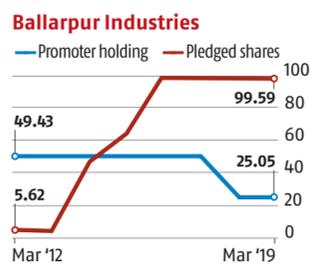
An email query sent to Avantha Group last week remains unanswered.

"To know what went wrong with the group, one should trace all the acquisitions the group made between 2005 and 2013," said an analyst with a domestic brokerage firm. As part of this acquisition spree, it bought companies in Belgium and Hungary. The CG Power board entered an agreement to sell the two Hungarian businesses in 2018, but it fell through earlier this month, as certain conditions were not met.

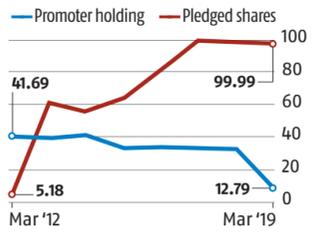
"It is difficult to understand how it went wrong in gauging Hungary after so many years of experience in transformers. To its credit, it was early to enter the renewable transformers segment, and did not miss the curve," the fund manager said.

Meanwhile, Thapar's stake in CG Power slowly reduced from over 40 per cent in March 2014. Besides YES Bank with 12.79 per cent, PE firm KKR holds 21.6 per cent, and mutual funds have 28 per cent. Bharti Group Chairman Sunil Mittal, too, has 8.24 per cent investment now in the company through Bharti (SBM) Holdings. Avantha Group's shareholding is now minuscule.

AVANTHA'S LOSING STREAK



CG Power and Industrial Solutions



The promoter holding and pledged share percentage of CG Power for May is zero
Source: Capitaline, stock exchanges
Compiled by BS Research Bureau

Biologics to boost Biocon business, say analysts

GIREESH BABU & T E NARASIMHAN
Chennai, 19 May

Analysts expect biologics business to help biopharma major Biocon post double-digit growth in both revenue and net profit over the next three financial years.

Biocon's current biosimilars pipeline through its own and partner launches has potential to generate \$377 million in revenue from the US and Europe in 2020-21, they say. During the 12 months ended March 31, 2019, biologics revenue doubled to ₹1,517 crore from a year before.

Kiran Mazumdar-Shaw, chairperson and managing director, had said in a recent earnings call: "Our biosimilars strategy has begun to deliver, with the start of monetisation of the pipeline in the developed markets of the US and the European Union. Launch of biosimilar Pegfilgrastim in the US and the ramp-up of sales of Trastuzumab in emerging markets were main contributors to this growth." The company has both novel biologics and biosimilar molecules.

These are expected to continue bringing growth in the segment. In 2019-20, the company expects growth across business segments to continue, led by higher biosimilars revenues. While it expects the core margins percentage to sustain, research and development (R&D) expenses across business segments, and depreciation, would significantly increase.

"Further, in FY'20, our investment in human capital will also significantly increase, on account of setting up an organisational structure to support independent functioning of our biosimilars business under Biocon Biologics. We have also set up a Boston-based subsidiary, Bicara Therapeutics, to support our immune-oncology programmes.

L&T chairman: Mind completely occupied with Mindtree deal

Acquisition of Mindtree is the topmost agenda for infrastructure giant Larsen & Toubro at the moment and eventually the mid-sized IT firm is going to be transformed into a big company, L&T Group Chairman A M Naik said. The \$20 billion conglomerate, which has taken its overall holding in Mindtree to about 26 per cent, will launch the open offer to buy additional stake in around 10 days, he added.

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Operation & Services



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Regd. Office : 31, Chowringhee Road, Kolkata - 700 016
Telephone No: 91 33 40029600; Fax No: 91 33 40029676
Email Id: gilro@graphiteindia.com; Website: www.graphiteindia.com

Extract of Financial Results for the quarter and the year ended 31st March, 2019

Sl. No.	Particulars	Standalone			Consolidated		
		Quarter ended	Year ended	Quarter ended	Quarter ended	Year ended	Quarter ended
		31st March, 2019					
1	Total Income from Operations	1,453	6,934	1,249	1,763	8,068	1,359
2	Net Profit for the period/year (before tax, Exceptional and/or Extraordinary items)	708	4,336	692	905	5,156	741
3	Net Profit for the period/year before tax (after Exceptional and/or Extraordinary items)	653	4,281	692	850	5,101	741
4	Net Profit for the period/year after tax (after Exceptional and/or Extraordinary items)	427	2,806	454	562	3,396	540
5	Total Comprehensive Income for the period/year [Comprising Profit/(Loss) for the period/year (after tax) and Other Comprehensive Income (after tax)]	427	2,805	456	546	3,373	550
6	Equity Share Capital	39	39	39	39	39	39
7	Other Equity	-	4,614	-	-	5,312	-
8	Earnings Per Share (EPS) (of ₹ 2/- each)						
	Basic EPS (₹)	21.85	143.61	23.22	28.74	173.80	27.69
	Diluted EPS (₹)	21.85	143.61	23.22	28.74	173.80	27.69

Note :

- The above is an extract of the detailed format of Quarterly Financial Results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as modified by circular No. CIR/CFD/FAC/62/2016 dated 5th July, 2016. The full format of the Quarterly Financial Results are available on the Stock Exchange websites (www.nseindia.com/ www.bseindia.com) and on the Company's website (www.graphiteindia.com).
- The Board has recommended final dividend @ Rs. 35/- per equity share of Rs. 2/- each.

Place : Kolkata
Date : 18th May, 2019

Valuation

- ASSETS
- BRANDS
- BUSINESSES
- SWEAT EQUITY

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Admin. Office: D/801-802, The First, B/h. Keshavbaug Party Plot, Nr. Shivalik High-Street, Vastapur, Ahmedabad-380015., Phone:- 079 - 48933706, CIN NO:-L28112GJ1985PLC007753
email:-ho@gujaratterce.com website:www.gujaratterce.in

Extract of Standalone Audited Financial Results for the Quarter and Year Ended March 31, 2019.

Particulars	[RS.IN LAKHS EXCEPT PER SHARE DETAIL]		
	Quarter ended	Year ended	Corresponding Quarter ended
	31.03.2019	31.03.2019	31.03.2018
Total income from operations	802.19	3103.01	866.65
Net Profit / (Loss) for the period (before Tax, Exceptional and / or Extraordinary items)	27.42	34.57	14.05
Net Profit / (Loss) for the period before Tax (after Exceptional and/or Extraordinary items)	27.42	34.57	14.05
Net Profit / (Loss) for the period after Tax (after Exceptional and/or Extraordinary items)	36.10	43.25	8.60
Total Comprehensive Income for the period [Comprising Profit/(Loss) for the period (after tax) and Other Comprehensive Income (after tax)]	36.10	43.25	16.07
Equity Share Capital	742.03	742.03	742.03
Reserves (excluding Revaluation Reserve)	341.45	341.45	298.19
Earnings Per Share (of Rs.10/- each) Basic & Diluted:	0.05	0.06	0.02

Notes:
1. The above results have been reviewed by the audit committee of the Company and taken on record by the Board of Directors of the Company in its meeting held on 18/05/2019 and same are also been reviewed by the statutory auditors of the Company.
2. The Above Audited Results have been prepared and presented as per Companies (Indian Accounting Standards) Rules, 2015 as amended ("Ind AS") prescribed under section 133 of the Companies Act, 2013 and in terms of Regulations 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations"), as modified by Circular dated August, 10, 2016
3. The above is an extract of the detailed format of Audited Financial Results for the quarter and year ended on March 31, 2019 filed with the Stock exchanges as per SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015. The full format of standalone Audited financial results are available on the website of BSE at www.bseindia.com and on company's website www.gujaratterce.com.

Place: Ahmedabad
Date : 18/05/2019

For Gujarat Terce Laboratories Limited
Sd/-
Natwarbhai Prajapati
Chairman and Managing Director
DIN: 00031187

