

SoftBank bares local loss

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Calcutta, May 10: Japanese conglomerate SoftBank Group has booked a valuation loss of \$1.4 billion, or over Rs 9,000 crore, in 2016-17 on its investments in Indian startups such as Snapdeal and Ola.

"A highly competitive e-commerce market in India has made a trend of the company's business performance lower than initially anticipated," SoftBank said in its earnings statement.

Explaining the loss, the company said, "Loss on financial instruments at FVTPL (fair value through profit or loss) was 160,419 million yen compared with a gain of 114,377 million yen in the previous fiscal".

"Financial instruments at FVTPL included preferred shares of Jasper Infotech Pvt Ltd, which operates the e-commerce website snapdeal.com in India, and ANI Technologies Pvt Ltd, which operates the taxi booking platform Ola, also in India," it added.

The company booked a valuation loss of \$1 billion, or Rs 6,500 crore, on

WHAT LIES AHEAD



The worry

- SoftBank has booked a loss of \$1.4 bn, or over Rs 9,000 crore, in 2016-17 on its investments in Snapdeal and Ola

The way out

- SoftBank is working on a plan to sell Snapdeal to larger rival Flipkart

What went wrong

- Snapdeal losing out to Flipkart and US player Amazon
- Ola under pressure from US rival Uber
- Valuation of both has shrunk drastically

its investment in Snapdeal, almost matching the money it has invested in the homegrown marketplace during 2016-17.

SoftBank, which has committed investments of \$10 billion in India, has been working on a plan to sell Snapdeal to larger rival Flipkart.

While it has got most board members to agree to the proposal, it is yet

to get a nod from Nexus Venture Partners (NVP). An affirmation from NVP is crucial for the sale to go through. According to sources, the same could come sooner than expected as NVP seems to be warming up to the proposal.

A SoftBank spokesperson said: "The valuation of our financial investments is frequently adjusted upwards or downwards due to accounting poli-

cies, currency fluctuations and market dynamics. The loss reported in today's earnings represents the aggregate impact of such revaluations during the course of the entire fiscal year."

Locked in an intense battle with Tiger Global-backed Flipkart and American e-tailing giant Amazon, Snapdeal has not been able to match the success of its rivals, slipping to a distant third in the e-commerce market.

Valued at \$6.5 billion in February 2016, Snapdeal has seen the valuation shrink since then and industry watchers said the potential sale to Flipkart could be done at about \$1 billion.

Ola, the other bet of SoftBank, is also facing pressure as its US-based rival Uber has accelerated investments to grow the number of drivers and riders on its cab aggregating platform.

Ola has also been pumping in funds, which has hit the company's balance sheet. It posted a consolidated loss of over Rs 2,311 crore, about Rs 6 crore a day, during 2015-16, on account of promotional expenses and high employee cost.