

21 ECONOMY

GOLD	RUPEE	OIL	SILVER
₹43,358	₹72.24	\$51.16	₹48,130

*Indian basket as on February 27, 2020

SENSEX: 38,297.29 ▼ 1448.37 NIFTY: 11,201.75 ▼ 431.55 NIKKEI: 21,142.96 ▼ 805.27 HANG SENG: 26,129.93 ▼ 648.69 FTSE: 6,559.27 ▼ 237.13 DAX: 11,884.08 ▼ 483.38

*International market data till 1900 IST

CORONAVIRUS FEARS PULL 30-SHARE INDEX DOWN 1,448 POINTS

Sensex plummets, global markets in meltdown

ENSE ECONOMIC BUREAU
MUMBAI, FEBRUARY 28

INDIA'S STOCK market benchmark Sensex on Friday reeled under a huge global sell-off, and posted its second-biggest one-day fall in absolute terms, as the coronavirus continued to spread, increasing fears that the epidemic could push some of the world's biggest economies into recession.

Even as markets in Asia, Europe and America plunged for the seventh day in a row on worries over a recession, the 30-share BSE Sensex ended 1,448.37 points, or 3.64 per cent, lower at 38,297.29. This was the second largest fall in the Sensex after August 24, 2015, when it had plunged 1,625 points.

The bloodbath in the market wiped out investor wealth worth Rs 5.45 lakh crore as the market capitalisation fell to Rs 146 lakh crore on Friday. In the worst week since the 2008 global financial crisis, the Sensex plunged 2,873 points or 6.97 per cent, and the Nifty tumbled 879 points, or 7.27 per cent. The market is set for further losses as Wall Street's Dow

EXPLAINED Virus presents significant threat to global economy

INVESTORS HIT the sell button in early trade Friday, with Indian market indices, tracking the slide in global markets, dropping to near 5-month lows. The S&P BSE Sensex saw a slide of over 1,000 points while Nifty50 breached the 11,300 levels in intraday trade. Selling pressure was visible across sectors such as metals, infrastructure, IT, capital goods, auto, banks and oil & gas stocks.

The bigger question roiling markets is how badly the global economy will be hit, particularly if the spread of infections is not contained.

Jones Industrial Average opened with a loss of over 500 points on Friday. On Thursday, Dow Jones dropped 1,190.95 points intra-day, or 4.42 per cent.

"Increase in new virus cases is diluting investor wealth across the globe. On the domestic front, broad-based selling was witnessed with sectors having global exposure like metals and IT being impacted the most," said Vinod Nair, head of research, Geojit Financial Services.

China's Shanghai Composite

MARKETS IN FREEFALL

Premier Indices	Change on Friday (%)
BSE Sensex (India)	-3.64
Dow Jones (US)*	-3.72
Nikkei 225 (Japan)	-3.67
Hang Seng (Hong Kong)	-2.42
FTSE 100 (UK)	-3.18
CAC 40 (France)	-3.38
DAX (Germany)	-3.86
SSE Composite (China)	-3.71

*As of 12:40 AM Saturday (IST)

has reported a rise in the number of cases, and the situation in Iran is looking bad. Equity research firm Jefferies warned that the "large outbreaks of COVID-19 in South Korea, Italy and Iran point to risk of a global pandemic that, if not handled correctly, could swamp hospitals with acute cases."

Significantly, foreign fund outflow has turned significantly negative during the week. Foreign institutions have sold close to Rs 10,000 crore worth of stocks in the first four sessions this week.

Rupee dives 63p against dollar on foreign fund outflows, equity sell-off

ENSE ECONOMIC BUREAU
MUMBAI, FEBRUARY 28

THE INDIAN rupee on Friday plunged by 63 paise to settle at 72.24 against the US dollar, amid the heavy sell-off in the equity market and sustained foreign fund outflows.

Other Asian currencies were also weak as investors dumped emerging market assets to seek the safety of US treasuries and other assets like gold amid the rapid spread of coronavirus epidemic outside China. "Foreign outflows of around \$1.5 billion had put pressure on the rupee," said an analyst. Analysts said the fall in crude oil prices provided some respite to the Indian currency.

According to economists at Oxford Economics, if the coronavirus outbreak becomes a global pandemic, \$1 trillion could be wiped off the world economy, with recessions in the United

Asian currencies were also weak as investors dumped emerging market assets to seek safety of US treasuries and other assets

States and the eurozone.

Bank of America Corp economists warned clients Thursday that they now expect 2.8 per cent global growth this year, the weakest since 2009. A global recession is likely if coronavirus becomes a pandemic, and the odds of that are uncomfortably high and rising with infections surging in Italy and Korea, Moody's Analytics said on February 26.

There will be an impact across sectors and supply disruptions, alongside the quarantine measures being undertaken in China and other countries would dent supply chains across geographies.

Three yrs after setting cap on stents, NPPA exempts Meril's device from price control

PRABHA RAGHAVAN
NEW DELHI, FEBRUARY 28

THE NATIONAL Pharmaceutical Pricing Authority (NPPA) has decided to exempt a new stent made by Meril Life Sciences from price control, several months after a patient activist group raised safety concerns about the product. The decision comes nearly three years after the drug pricing regulator had capped the prices of these products "in public interest".

The authority deliberated upon the matter "at length" and observed that establishing significant therapeutic advantage and increased efficacy "is not a pre-requisite for obtaining exemption under para 32(ii) of DPCO 2013."

Para 32 of the Drugs (Prices Control) Order, 2013 lists out certain conditions a product has to meet to stay out of the provisions of the price regulation. This includes new drugs developed through indigenous research and development that are patented under the Indian Patent Act, 1970 and not produced elsewhere as well as new drugs produced in the country by a new process developed indigenously and patented.

NPPA, in 2017, had slashed the ceiling prices of stents by up to 85 per cent. Meril had approached the NPPA for exemption under this provision after it received the drug pricing regulator's approval in 2017 for the stent, a drug-coated product called MeRes-100 that naturally dissolves over a period of time.

However, the All India Drug Action Network (AIDAN) last year had raised concerns related to the safety of the product.

"It has been our concern that the only data submitted by Meril are limited to a small, non-randomised, single-arm trial which was inadequate to prove safety. While close monitoring has been recommended, no specific plan has been drawn up for post-marketing evaluation of safety and efficacy, against the current standard of care — a DES stent," said Malini Aisola of AIDAN.

"The safety concerns of the product in question are not required to be examined by the Authority in order to consider a case for grant of exemption under para 32 (ii) of DPCO 2013. The 'new drug' approval certificate of the DCGI and the grant of Indian Patent being the two essential conditions," stated minutes of NPPA's meeting on the issue, which *The Indian*

KEY POINTS

1 Para 32 of the Drugs (Prices Control) Order, 2013 lists out certain conditions a product has to meet to stay out of the provisions of the price regulation. This includes new drugs developed through indigenous research and development that are patented under the Indian Patent Act, 1970 and not produced elsewhere as well as new drugs produced in the country by a new process developed indigenously and patented

2 Meril Life Sciences had approached the National Pharmaceutical Pricing Authority for exemption under this provision after it received the drug pricing regulator's approval in 2017 for the stent, a drug-coated product called MeRes-100 that naturally dissolves over a period of time

3 However, the All India Drug Action Network last year had raised concerns related to the safety of the product, saying that the only data submitted by Meril are limited to a small, non-randomised, single-arm trial which was inadequate to prove safety

Express has viewed.

However, it added that issues related to the safety concerns raised by AIDAN were referred by the authority to the Standing National Committee on Medicines and the Drug Controller General of India (DCGI) to "seek assurance in public interest".

The authority took the decision after DCGI, which convened a meeting of experts on the issue, had found clinical data and three-year follow up data on 108 patients submitted by Meril to be "satisfactory".

"While considering any product, the safety and efficacy is considered by experts and the committees," added a December letter by the Standing National Committee on Medicines.

"We do not know the basis for the experts to be satisfied by the (safety & efficacy) data of the stent," said AIDAN's Aisola.

FM on coronavirus concerns: No need to press panic button

PRESS TRUST OF INDIA
MUMBAI, FEBRUARY 28

FINANCE MINISTER Nirmala Sitharaman on Friday said that the government has loosened its purse strings as much as it can on fiscal deficit worries, but is "willing" to consider further requirements.

Speaking at television network CNBC-TV18's awards event, Sitharaman said the government is mulling creating a Development Finance Institution (DFI) to help fund the Rs 102-lakh crore infrastructure funding, but hinted at a larger reliance on the private sector in doing so.

On the coronavirus scare, Sitharaman said there is no need to immediately press the panic button at present, but added that industry executives have warned her about challenges cropping up if the crisis continues for three weeks.

A suggestion has also been made by the pharma and the electronics industries for an airlift of materials from China in case of a need, she said, making it clear that the companies will have to aggregate the goods and get it to a port.

Other details of the plan have not been finalised, she said, mak-



PTI file photo

"We will have to see as it goes. I am not closing the options out. If there are more requirements, we are willing (to loosen the purse)"

NIRMALA SITHARAMAN
FINANCE MINISTER

ing it clear that this is merely a suggestion at present.

There is an opportunity for India to be a part of the global supply chain and investors at a G-20 meeting in Saudi Arabia recently were extremely positive about investing in India, she said.

The government has utilised a clause under the fiscal deficit and budget management Act to have a wider fiscal gap of 3.8 per cent in FY20 and has committed to narrow it to 3.5 per cent in the FY21 budget.

Advocates of pushing up growth want the government to do more, while there are others who point out to the costs of a wider fiscal deficit like high inflation and also a higher cost of borrowing if the rating agencies downgrade India.

Sitharaman hinted that in the budget, the government has

done all that it could on "loosening the purse" keeping the fiscal deficit in mind.

"We will have to see as it goes. I am not closing the options out. If there are more requirements, we are willing," Sitharaman, who had taken a slew of measures between the July 2019 budget presentation and the full year one for FY21 in February, said.

On the Goods and Services Tax, Sitharaman said the focus is on making the network more efficient so that difficulties in compliance are done away with, and added that Infosys chairman Nandan Nilekani is helping her on the same. "I am sure we will be able to drastically improve the functioning of the GSTN," she said, adding that there is also a move to review rates on items only once a year.

Virus impact, slowdown to keep steel sector growth 'modest'

Ind-Ra has revised outlook for steel sector to 'negative' for FY21 on the back of slowing economic activity, cost pressures and impact of coronavirus outbreak

28.6% growth in consumption in five years: The per capita consumption of steel has increased from 57.6 kg to 74.1 kg between 2014 and 2019, according to data provided by the Ministry of Steel

Modest demand growth in FY21: India Ratings and Research (Ind-Ra) has given the 'modest' demand growth expectations of 5 per cent for FY21. Slowing economic activity would continue to affect the demand growth in the steel sector and any significant pick-up is unlikely, it added



KEY NUMBERS

	FY19	FY20	FY21(f)
Real GDP	6.8	5	5.5
Mining*	1.6	0.9	1.5
Manufacturing*	6.9	0.6	3.4
Electricity*	7	4.1	3
Construction*	8.7	5	5.7
Steel Outlook (Demand)	8	4	5

*Gross value added growth at FY 12 prices Source: India Ratings and Research

Margin pressures: Muted growth is expected due to margin pressures from iron ore price risks. High iron ore premiums for new mine owners (both captive and

merchant) could shift the cost positions of steel mills. Cost pressures could build up 'majority' for non-integrated & new captive steel producers

Rising iron ore prices: Average premiums for about a quarter of India's newly auctioned iron ore mines could be above 100%, resulting in a "significant" increase in iron ore prices



ComMin to meet exporters on Mar 3 to discuss export, import opportunities

ENSE ECONOMIC BUREAU
NEW DELHI, FEBRUARY 28

AS FEARS of the novel coronavirus (Covid-19) outbreak in China hitting supply chains across the world continue to rise, the Ministry of Commerce and Industry has decided to hold a meeting next Tuesday to discuss these disruptions.

The meeting has been called at a time when Finance Minister Nirmala Sitharaman has said that the virus would become a challenge for India if the issue was not resolved in three weeks.

The Commerce Ministry on Friday notified the industry that Minister Piyush Goyal would be chairing a meeting in New Delhi on March 3 to discuss "global disruptions in supply chains and their impact on India." The meeting is also expected to look into export and import opportunities emerging on account of the outbreak in China, which has been a global supplier of goods.

Huge export and import opportunities have emerged due to outbreak of the deadly virus in China and other parts of the globe, said an industry source as cited by PTI. "The outbreak of this disease has reflected that de-

Commerce Minister Piyush Goyal will chair the meet

pending completely on one country for goods is not a good idea and in such a situation, India is best placed to fill this global supply chain gap," the source added.

According to an analysis by the ministry, there are as many as 550 products where Indian exporters can plug global supply gaps. These identified products accounted for about 75 per cent of India's exports in 2018. Currently, exports of these items are estimated at \$243 billion.

Further, 1,054 products have been identified where India is dependent on Chinese imports. In the analysis, the ministry has identified alternate countries from where New Delhi can import products disrupted by the outbreak in China.

The ministry has shared this list of made in India products which can be used to plug global supply line disruption with embassies. The death toll in China's deadly coronavirus has climbed to 2,788 so far 25 with confirmed cases rising sharply to 78,824.

Virus slams breaks on Geneva car show, forces rethink on launches

REUTERS
FRANKFURT, FEBRUARY 28

CARMAKERS WERE scrambling to reorganise press conferences and vehicle presentations after Swiss authorities forced the cancellation of the Geneva car show on Friday in an effort to contain the coronavirus.

More than 160 exhibitors were scheduled to show off their cars and services at the 90th Geneva Motor Show, which was due to start on Monday and last until March 15.

BMW and Mercedes-Benz said they would use live-streaming to present the BMW Concept



Cars at the now cancelled 90th Geneva International Motor Show in Geneva, Switzerland, on Friday. Reuters

i4 and a revamped Mercedes E-Class respectively.

Ferrari does not plan to arrange alternative events, and Fiat Chrysler said it had no plan B, but that it was considering ways to show off a new electric Fiat 500.

French brand DS, part of PSA Group said it was seeking a venue near Paris to showcase a new concept car and was rescheduling interviews with executives by telephone.

Audi, a premium brand belonging to Volkswagen, said it would seek to use digital channels to launch its Audi A3 sportback and Audi e-Tron S.

Switzerland on Friday

banned large events expected to draw more than 1,000 people to try to curb a coronavirus outbreak that has spread from China across the world.

"We regret this situation, but the health of all participants is our and our exhibitors' top priority. This is a case of force majeure and a tremendous loss for the manufacturers who have invested massively in their presence in Geneva," said Maurice Turrettini, chairman of the Geneva International Motor Show Foundation Board.

Last year 660,000 people attended the Geneva show and the exhibition generated an estimated 200-250 million Swiss

francs (\$205-\$256 million) worth of business.

Visitors who bought tickets will be refunded, although exhibitors will not, given it was the health authorities, rather than organisers Palexpo, who called off the event.

The number of confirmed coronavirus cases in Switzerland has risen to 15, and more than 100 people are in quarantine, government minister Alain Berset said.

"We have the situation under control, but this can change very quickly," he told a news conference in Bern, adding the ban would certainly hit the Swiss economy.

RAJEEV MISRA ALLEGEDLY RAN CAMPAIGNS TO PLANT NEGATIVE STORIES AGAINST NIKESH ARORA & ALOK SAMA

SoftBank power tussle: Vision Fund chief accused of smear campaign

ENSE ECONOMIC BUREAU
NEW DELHI, FEBRUARY 28

THE LEADERSHIP of Japan-based SoftBank Group Corp, which manages the \$100-billion Vision Fund, has come under fire with allegations of the fund's chief Rajeev Misra running smear campaigns against two of his former colleagues — former SoftBank COO Nikesh Arora and former SoftBank Group International CFO Alok Sama — to clear his way to the top, according to a report by *The Wall*

Street Journal. SoftBank, which is led by its chairman Masayoshi Son, was recently criticised for its investment choices including a failed attempt at listing co-working firm WeWork. As per the WSJ report, Misra — who heads the Vision Fund, which has investments in India too, including firms such as Paytm, Oyo, and others — allegedly ran campaigns to plant negative news stories against Arora and Sama, in addition to a concerted shareholder campaign to oust them. Arora, who left SoftBank in

'OLD ALLEGATIONS ... SERIES OF FALSEHOODS'

■ A spokesman for Misra told WSJ: "These are old allegations which contain a series of falsehoods that have been consistently denied... Mr. Misra did not orchestrate a campaign against his former colleagues"

■ SoftBank, which is led by its chairman Masayoshi Son, was recently criticised for its investment choices, which included a failed attempt at listing American co-working company WeWork

2016, was seen as the heir apparent to Son upon his retirement. However, he left the firm after failing to make it to the top. Sama

left SoftBank in 2019.

A spokesman for Misra told WSJ: "These are old allegations which contain a series of false-

hoods that have been consistently denied... Mr. Misra did not orchestrate a campaign against his former colleagues."

A SoftBank spokeswoman was quoted by the newspaper as saying, "For several years, we have investigated a campaign of falsehoods against SoftBank Group and certain former employees in an attempt to identify those behind it. SoftBank will be reviewing the inferences made by *The Wall Street Journal*."

Misra's alleged attempts at ousting his "main rivals inside SoftBank" included teaming up

with an Italian businessman Alessandro Benedetti to run the smear campaign. The news report said that Misra paid \$500,000 to Benedetti in 2015. Misra's spokesman told the publication that the \$500,000 payment to Benedetti was towards an oil investment.

Benedetti, as per WSJ, was involved in setting up a honey trap for Arora, which was to be followed by sexual blackmail. Additionally, he hired a law firm to represent a few unnamed SoftBank shareholders, who alleged impropriety against Arora.