GOLD	RUPEE	OIL	SILVER
₹44,517	₹73.68	$34.52	₹47,234

*Indian basket as on March 10, 2020

SENSEX: 35,697.40 ▲ 62.45 **NIFTY:** 10,458.40 ▲ 6.95 **NIKKEI:** 19,416.06 ▼ 451.06 **HANG SENG:** 25,231.61 ▼ 160.90 **FTSE:** 5,951.25 ▼ 8.98 **DAX:** 10,526.77 ▲ 51.28

*International market data till 1900 IST

VISA SUSPENSION, POOR DOMESTIC OUTLOOK MAY ADD TO AIRLINES' WOES

COVID-19 cloud: IndiGo says earnings to be 'materially impacted', others cancel flights

PRANAV MUKUL
NEW DELHI, MARCH 11

DURING A period that is usually deemed to be the leanest in a year for Indian airlines, the added impact of the COVID-19 outbreak has carriers bracing for impact from plummeting demand, mounting flight cancellations and a consequential grounding of a part of their fleets. IndiGo, India's largest airline which handles nearly half of the country's domestic passengers, said on Wednesday it expects its quarterly earnings to be "materially impacted" because of the coronavirus outbreak.

"In January and February 2020, IndiGo experienced modest impact from the coronavirus. We cancelled our flights to China and Hong Kong and reduced frequency to certain other Southeast Asia markets. This capacity was redeployed in other markets without having a material impact on our revenues," IndiGo said in a notice to the exchanges. "Over the past few days, however, week-on-week, we have seen a 15-20 per cent decline in our daily bookings. Please note that the numbers could change from here based on how the situation evolves," it said.

The International Air Transport Association has estimated global revenue losses for airlines of up to a maximum $113 billion, excluding impact on cargo operations.

IndiGo, which ferried 6.79 crore passengers last year, said: "We expect our quarterly earnings to be materially impacted because of the above. In addition, the rupee has also depreciated sharply which will have an adverse impact on our dollar denominated liabilities primarily on account of capitalised operating leases".

VIRUS EFFECT ON FLIGHT SCHEDULES

Airlines	Origin	Destination	Flight Status	Till
Air India	Delhi	Milan/Rome/Singapore	Reduced Frequency	March 27
	Delhi	Shanghai/Hong Kong	Cancelled	June 30
	Delhi	Doha	Cancelled	NA
	Ahmedabad/Mumbai/Goa/Hyderabad	Kuwait City	Cancelled	NA
Air India Express	Mumbai/Mangalore/Kohzikode/Kannur/Kochi	Doha	Cancelled	NA
	Mangalore/Kannur/Kozhikode	Kuwait City	Cancelled	NA
IndiGo	Delhi	Chengdu	Cancelled	June 14
	Bengaluru	Hong Kong	Cancelled	June 14
	Kolkata	Guangzhou	Cancelled	June 14
	Delhi/Mumbai/Hyderabad/Kohzikode/Kannur/Kochi/Bengaluru/Chennai	Doha	Cancelled	March 17
	Delhi/Mumbai/Kochi/Chennai	Kuwait City	Cancelled	NA
SpiceJet	Delhi	Hong Kong	Cancelled	March 31
Vistara	Delhi	Bangkok	Reduced Frequency	March 31
	Delhi/Mumbai	Singapore	Reduced Frequency	March 31
Mahan Air/Iran Air	Delhi	Tehran	Cancelled	NA
Jazeera Airways	Delhi/Ahmedabad/Mumbai/Kochi/Hyderabad	Kuwait City	Cancelled	NA
Kuwait Airways	Delhi/Ahmedabad/Mumbai/Kochi/Thiruvananthapuram/Bengaluru/Chennai	Kuwait City	Cancelled	NA

Note: As of 10 pm IST; Sources: Airlines, DGCA, Flightradar24

However, IndiGo is not the only airline to run into headwinds developing from the coronavirus outbreak. Almost all major Indian airlines including Air India, Air India Express, SpiceJet and Vistara have cancelled flights to several Southeast and West Asian destinations on account of weak demand. "Future passenger loads are expected to be down. Typically, between March 10 and April 15, worst loads of the year are witnessed because of exam period, which also curtails business travel. While it will be unfair to blame everything on coronavirus, some impact is being seen. People have not really started booking for summers," said Ameya Joshi, a former aviation industry professional dealing with network planning and founder of NetworkThoughts.

Further, with cases in Europe rising daily, Air India — currently India's only long-haul operator — could be faced with excessive capacity of wide-bodied aircraft. The national carrier, which operates Boeing 787-8 Dreamliner and Boeing 777 aircraft for its medium- and long-haul international flights, has already curtailed its operations to Rome, Milan and Singapore, in addition to operating smaller aircraft to some destinations like Jeddah. "Due to the prevailing situation of coronavirus in different locations across the globe, there are many destinations, which are expected to face a drop in foreign tourist arrivals because of the advisories issued by various governments. Customers are wary of making fresh bookings to the affected locations and airfares to these destinations have dropped by over 40 per cent. We have received nearly 35 per cent cancellation queries from travellers planning their trips to foreign locations in holiday season," said Sabina Chopra, co-founder of Yatra.com.

Vistara took delivery of its first Dreamliner aircraft earlier this month, and the airline's officials said they were "perplexed" about deployment of the plane on one of its planned destinations — London, Paris, Moscow and Tokyo — given the current situation. To begin with, Vistara will operate the aircraft on domestic routes.

International traffic accounts for a considerable share of air traffic for domestic airlines. Airline officials said after the Centre's latest move to suspend visas for a month, the carriers would have redeployed capacity to domestic routes, but the situation is not too good either locally.

"To deploy wide-bodied planes on domestic routes will be overkill. Operating costs for two-hour flights on Dreamliners are very high. If loads are also not very good, it will be worse. Airlines will have to factor in a possible grounding of their aircraft, even narrow-bodies. There is a limit to which redeployment can happen," Joshi pointed out.

Notably, Air India is expected to see some relief on its routes to the US, where the Federal Aviation Administration has relaxed the minimum slot-use rules through May 31, allowing airlines to operate less than the minimum threshold of 80 per cent of their scheduled flights to maintain slot rights for the future. However, any respite for Air India is contingent on Indian authorities reciprocating the FAA's move for US carriers flying to India. Air India flies directly to Washington, New York, Chicago, San Francisco and Los Angeles.

The FAA has previously relaxed the minimum slot-use rules at the time of 9/11 attacks in 2001, outbreak of SARS in 2003 and the global financial crisis in 2008.

Meanwhile, Kuwait has suspended all commercial flights to and from Kuwait International Airport starting Friday. Kuwait is connected to 12 Indian airports via flights operated by IndiGo, Air India, Air India Express, Jazeera Airways and Kuwait Airways.

Non-payment of dues by discoms: Private developers, gencos may move NCLT

Power Minister RK Singh: 'Always this possibility'

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 11

Power and Renewable Energy Minister RK Singh

THE FESTERING problem of non-payment of dues by power distribution companies (discoms) could lead to private project developers and generating utilities moving the National Company Law Tribunal (NCLT) to recover payments. Power producers' total outstanding dues owed by distribution firms was pegged at Rs 88,177 crore in December 2019 — a source of continuing stress in the sector.

"There is always this possibility now," Union Power and Renewable Energy Minister RK Singh said, when asked about whether generation companies can seek recourse by moving the NCLT in light of the mounting dues. There is a precedence in place for this, with the electricity generating company of Andhra Pradesh — AP Genco — dragging the distribution companies of Telangana to the NCLT, seeking payment dues in July 2018.

Singh said his Ministry is working on improving adherence to prudential norms in the sector and that a new scheme is in the works that could, effectively, deny discoms failing to bring down AT&C (aggregate technical and commercial) losses as per target by denying them access to funds from the state-run PFC-REC combine, the principal source of finance for most electricity sector discoms. The Power Ministry is also setting up an electricity tribunal to resolve disputes over payment between state distribution companies and generating companies in a time-bound manner. An amendment of the Electricity Act, 2003 to provide for a dedicated mechanism for faster dispute resolution is also in the works, Singh indicated.

In order to give relief to electricity generation companies, the Power Ministry has already enforced a payment security mechanism from August 1, 2019, under which, discoms are required to open letters of credit for getting power supply. Then, in October, the Ministry urged the chief ministers of a number of defaulting states to issue directions to their respective power discoms for clearing the dues of renewable energy firms and pointed out the power producers are likely to default on their payment obligations due to non-clearance of dues, specifically pointing to the "danger" of generation companies approaching the NCLT for recovering the pending amount.

"Due to the non-payment of dues, it is likely that many of these RE (renewable energy) power producers would default in making payment to Ireda (state-owned Indian Renewable Energy Development Agency) and other financial institutions. Any default would make them NPAs (non-performing assets)... There is also a danger of RE power producers approaching the NCLT against distribution companies (regarding non-payment of dues)," the missive from the Power Ministry to states had said.

In December 2019, the total overdue amount of generation companies, which had not been cleared even after 60 days of grace period offered by generators, stood at Rs 78,174 crore as against Rs 44,464 crore in the same month of the preceding year.

Power producers give 60 days to discoms for paying bills for the supply of electricity, beyond which outstandings become overdue and generators are entitled to charge penal interest on the amounts.

Discoms of Rajasthan, Uttar Pradesh, Jammu & Kashmir, Telangana, Andhra Pradesh, Karnataka and Tamil Nadu accounted for a majority of the outstanding dues to power gencos.

Among the central public sector power generators, NTPC has dues of Rs 15,695.65 crore on discoms till December, followed by NLC India, NHPC, THDC India and Damodar Valley Corporation. Among private generators, discoms owed the highest overdue to Adani Power, Bajaj Group-owned Lalitpur Power Generation Company and GMR.

One of the reasons for the mounting dues is the piling up of discom losses, which had progressively reduced in the first couple of years since the Ujwal Discom Assurance Yojana's rollout in November 2015. The losses rebounded in FY19 to nearly double the losses recorded the previous year as the scheme started floundering and adherence to norms recorded marked slippages.

Book losses of discoms, which reduced from Rs 51,562 crore in 2015-16 to Rs 15,132 crore in 2017-18, have nearly doubled this financial year to Rs 28,036 crore, according to the data updated till September-end. The data also pointed to discoms lagging behind in eliminating the gap between the average cost of supply and realisable revenue (ACS-ARR gap). Given the faltering achievements, officials indicated the possibility of a new scheme being rolled out to address UDAY's shortcomings. The primary reason for failure, as being recognised in policy circles, is the failure of discoms to collect the full cost that they pay for power — the same issue that had led to the floundering of the previous two schemes.

BANKING WATCH

YES BANK CRISIS

FinMin sees no legal hurdle to RBI's AT-1 bond write-down plan

SUNNY VERMA
NEW DELHI, MARCH 11

THE OBJECTIONS of Additional Tier-1 bondholders of Yes Bank, who will be written down fully as per RBI's reconstruction plan, are not tenable since these contracts provide for a full write-down after core common equity of banks falls below a certain threshold and triggers point of non-viability, a senior government official said on Wednesday. The entire plan had been legally vetted and there were series of discussions among the government, the RBI and potential investors, the official said, indicating that AT-1 bonds write-down "will stand the test of legal scrutiny."

The RBI's reconstruction plan puts nearly Rs 9,000 crore of AT-1 bonds exposure at risk, affecting bondholders including Nippon Life India AMC, Franklin Templeton, UTI Mutual Fund, SBI Pension Fund Trust and Indiabulls Housing Finance. While bondholders have mounted a legal challenge to the scheme, they are reportedly planning to negotiate with the RBI regarding conversion of these instruments into equity shares, after taking a haircut of over 80 per cent.

"The (Yes) Bank has been made party to a Writ Petition filed by Axis Trustee Services Limited, Debenture Trustee for one of the series of Additional Tier 1 capital bonds (on behalf of bond holders), in the Hon'ble Bombay Court ... No relief has been sought against the Bank nor any claim(s) has been made against the Bank under the Writ Petition," Yes Bank said. Finance Ministry sources indicated that there is "no legal lacunae" in the RBI's move as these bond contracts have provisions for write-down or conversion into equity.

EXPLAINED **E.** Hybrid products

THE CENTRE believes the RBI's proposal to fully write down AT-1 instruments of Yes Bank will stand test of legal scrutiny despite challenges by bondholders. These are essential hybrid instruments having principal loss absorption features, which can cause a full write-down or conversion to equity on breach of a pre-specified trigger of common Tier 1 capital ratio of a bank falling below 6.125 per cent.

As per RBI rules based on the Basel-III framework, AT-1 bonds have principal loss absorption features, which can cause a full write-down or conversion to equity on breach of a pre-specified trigger of common Tier 1 capital ratio falling below 6.125 per cent. The Finance Ministry and the RBI did not reply to queries from *The Indian Express* seeking comments.

The aggregate amount to be written-down/converted for all such instruments on breaching the trigger level must be at least the amount needed to immediately return the bank's CET1 ratio to the trigger level or, if this is not sufficient, the full principal value of the instruments, it further states. However, banks cannot use conversion or write-down of AT-1 instruments to support expansion of balance sheet. It is intended to replenish the equity of a bank in the event it is depleted by losses.

The RBI rules require that for a bank — whose total common equity ratio slips below 8 per cent due to losses and is still above 6.125 per cent i.e. trigger point — should expand its balance sheet further only by raising fresh equity.

'NBFI challenges may intensify, following Yes Bank restructuring'

India's non-bank financial institutions will likely face renewed pressure on funding and liquidity following the RBI's takeover of Yes Bank this month, Fitch Ratings said

WORSENING CREDIT SQUEEZE: The consequences of the Yes Bank restructuring could compound the credit squeeze across the country's financial system, adding to current economic uncertainty

MODEST DIRECT EXPOSURE OF NBFIS TO YES BANK: The NBFI sector's direct exposures to Yes Bank should be modest as a whole

SPACE FOR COMPANIES TO CUT EXPOSURE: Yes Bank's issues have been known for some time, and companies have had time to pare back any exposure to the bank over the past year

CURRENT RISKS FACED BY NBFIs:
- Pressure from general economic slowdown
- Downturn in real estate sector
- Evolving COVID-19 situation

Source: Fitch Ratings

***Knock-on effects on NBFIs:** There may also be knock-on effects for NBFIs if smaller private banks start to face deteriorating depositor confidence*

***Heightened asset quality risks for financial sector:** An extended credit squeeze will likely exacerbate asset quality risks for the financial sector*

ED: ₹20,000-cr loan under Rana Kapoor's tenure declared NPA

Founder says was in talks with govt for bank's revival

EXPRESS NEWS SERVICE
MUMBAI, MARCH 11

Yes Bank founder Rana Kapoor at ED office in Mumbai on Wednesday. *Ganesh Shirsekar*

THE ENFORCEMENT Directorate (ED) said on Wednesday that Yes Bank had sanctioned Rs 30,000 crore during the tenure of founder and former CEO Rana Kapoor, of which Rs 20,000 crore was declared non-performing assets (NPAs).

Kapoor told a special court that the NPAs, before he was asked to step down in 2019, were only 1 per cent of the bank's transactions. Hence the management after him should be held responsible. Kapoor said till a week before his arrest, he was in touch with senior officials of the government and the RBI to take over the bank again "because it was going down". The ED arrested him on Sunday. The ED claimed he had received kickbacks and pecuniary benefits for sanctioning loans. The special court has sent him to further ED custody till March 16.

"Loans worth Rs 30,000 crore were given to various entities during his tenure, Rs 20,000 crore of which already turned into bad debt. There are 78 companies owned by the accused and his family members, and there is an apprehension that the amount has gone to these companies, whether the transactions shown are genuine or not or if the sanctioning of loans is quid pro quo," special public prosecutor Sunil Gonsalves submitted before the court.

"I cannot be held responsible for this, the present management has not been able to perform. All public sector banks declare more than Rs 1 lakh crore as NPAs. I have been made a scapegoat in this case," said Kapoor's lawyer, Satish Maneshinde. He added Finance Minister Nirmala Sitharaman had given a statement that somebody would be responsible for the bank's current issues and the raid at Kapoor's home Friday was done.

"I was in London for the past four months to pay up my debt ... I came back to India as there were some negotiations between me, the RBI and the finance authorities to take over the bank again as it was going down. One week prior to this incident, I sat with several senior people of the government and the RBI. Thereafter, the moratorium on withdrawals was given by RBI and I was arrested," Maneshinde argued on behalf of Kapoor.

SBI trying to bring in other major lenders to be part of bailout plan

ENS ECONOMIC BUREAU
MUMBAI, MARCH 11

STATE BANK of India (SBI), which is finalising a reconstruction plan for Yes Bank, is negotiating to rope in leading institutions, including HDFC, ICICI Bank, Kotak Mahindra Bank and two others, for capital infusion in the private sector lender. This may lead to lifting of moratorium in the coming days.

However, sources said the final decision on who will bring in equity will depend on the Reserve Bank of India (RBI), which will decide the infusion plan. SBI Chairman Rajnish Kumar had already indicated that if other investors are in the picture, the capital infusion can go up to over Rs 20,000 crore. SBI will then hold at least 26 per cent stake — of 49 per cent — in Yes Bank, while the rest will be picked up by other institutions. Though there was speculation about some private equity players and high-net-worth investors keen to join the reconstruction plan, the RBI is unlikely to approve their inclusion, said a source, adding there is also the possibility of other banks pitching in with bulk deposits of around Rs 30,000 crore to ease the liquidity crunch in the bank. The moratorium is likely to be lifted once the RBI approves the names of investors and their contribution.

Yes Bank administrator Prashant Kumar, on Monday, assured customers that the moratorium period could end by this weekend. On March 6, the RBI unveiled a reconstruction scheme indicating the possibility of SBI acquiring a 49 per cent equity stake in the private sector lender.

Meanwhile, Yes Bank on Wednesday said its inward real-time gross settlement (RTGS) services have been enabled to allow customers to make payments towards their credit card dues and loan obligations from other bank accounts. The announcement comes a day after its customers were allowed inward IMPS and NEFT services for the same purposes.

'Entire debt from Yes Bank is secured'

New Delhi: Anil Ambani-led Reliance Group Wednesday said its entire debt from Yes Bank is fully secured. The group said it is committed to honouring repayments of all its borrowing from Yes Bank through its asset monetisation programme. **PTI**

RTGS is used for payments of over Rs 2 lakh, while payments below this amount can be made using NEFT. Besides, loan and credit cards repayments to the bank can also be done through IMPS from other bank accounts. However, Yes Bank said outward online remittances, including RTGS and NEFT, are still suspended. "All clearing activities are suspended as of now."

"Your EMIs (equated monthly instalments) will be honoured up to the prescribed limit, subject to reinstatement of clearing activities," it said.

"Inward RTGS services have been enabled. You can make payments towards YES BANK Credit Card dues and loan obligations from other bank accounts," the bank said in a tweet on Wednesday.

In 'moratorium-related FAQs' posted on its website, Yes Bank has said services such as online remittances, clearing of cheques and demand drafts as well as outward payment of EMIs will continue to remain under restriction during the moratorium period. However, if an employer has a current account with Yes Bank and wants to pay salaries to employees, there will not be any problem in doing so. The bank on Tuesday allowed inward IMPS and NEFT services to enable its customers to make payments towards Yes Bank credit card EMIs and loans through other bank accounts.

Besides, within the limit of Rs 50,000, the lender has also allowed its customers to withdraw money from its own as well as other bank ATMs. In the FAQs, Yes Bank said, "all clearing activities are suspended as of now as per the directive. Your cheques already issued will not be honoured till the clearing activities are restarted or further directive from regulator."

"Yes Bank DD/cheques will not be presented in clearing till further instructions or till reinstatement of clearing activities," it said. "Yes Bank current account can be debited for more than Rs 50,000 towards disbursement of salaries in the accounts maintained with Yes Bank only," it clarified. Further, it also said transfer from one Yes Bank account to another will be allowed without any restriction.

"However, customers can withdraw in a sum up to an aggregate of Rs 50,000 from all these accounts in the moratorium period till April 3, 2020," it added.

If one wishes to liquidate a standalone fixed deposit in Yes Bank, it said the branches can liquidate standalone fixed deposits (FDs) amounting less than Rs 20,000 along with interest and pay in cash as per process. "For FDs equal to or above Rs 20,000 (along with interest) but less Rs 50,000 (along with interest), branches can issue demand draft (DD) to customers, however that DD can be presented for clearing only once the clearing services are re-instated," it said.

The RBI, last Thursday, superseded the board of directors of Yes Bank for 30 days, "owing to serious deterioration in the financial position" of the bank and capped the deposit withdrawals at Rs 50,000 per depositor. The central bank said "this has been done to quickly restore depositors' confidence in the bank, including by putting in place a scheme for reconstruction or amalgamation."