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Business Standard

THE MARKETS ON THURSDAY		Chg#
Sensex	32,778.1▼	2,919.3
Nifty	9,590.2▼	868.3
Nifty futures*	9,546.6▼	43.6
Dollar	₹74.2	₹73.6**
Euro	₹83.3	₹83.5**
Brent crude ($/bbl)##	32.0##	34.5**
Gold (10 gm)###	₹43,200.0▼	₹273.0

*(Mar.) Premium on Nifty Spot; **Previous close; # Over previous close; ## At 9 pm IST; ### Market rate exclusive of VAT; Source: IBJA

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RISHI SUNAK'S BUDGET TO MAKE UK VISAS COSTLIER

BACK PAGE P16
NO DOCUMENT NEEDED FOR NPR: AMIT SHAH

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Markets get the shivers

- SENSEX TUMBLES 2,919 POINTS, BIGGEST-EVER IN ABSOLUTE TERMS
- OVER ₹11 TRILLION WORTH OF INVESTOR WEALTH WIPED OUT
- GLOBAL STOCK ROUT DEEPENS AMID GROWTH CONCERNS

SUNDAR SETHURAMAN
Mumbai, 12 March

The carnage in the stock markets, triggered by the spread of coronavirus, intensified after the World Health Organization (WHO) officially declared the outbreak of COVID-19 a pandemic. The domestic benchmark indices slumped over 8 per cent — the most since October 2008 — as investors fretted over the virus's economic toll. The extreme risk-aversion wiped out ₹11.4 trillion worth of investor wealth and sent many stocks and key indices to their multi-year lows.

The Nifty plunged 868 points, or 8.3 per cent, to 9,590, the lowest close since June 2017, while the Sensex dropped 2,919 points, or 8.2 per cent, to end at 32,778, the lowest close in two years. The Indian markets have now joined other global peers in "bear territory", having crashed 20 per cent from the recent peak.

Most global markets tumbled on Thursday, with some even triggering trading halts, as the virus spread to 114 countries, affecting 118,000 and claiming over 4,300 lives. The WHO said it expected the number of cases, deaths and affected countries to climb even higher, prompting nations to impose travel restrictions and taking other drastic steps to isolate people at the cost of hurting economic activity.

The Dow Jones index of the US was on course for its worst performance since Wall Street's "Black Monday" crash of 1987, as President Donald Trump's move to curb travel from Europe added to growing corporate distress over the coronavirus pandemic. The index was down over 8 per cent as of 12:20 am (IST).

The SGX Nifty slipped below 9,000 after the US market dropped in opening trade. This could mean another day of carnage in the Indian markets when it opens on Friday.

"The markets are gripped by panic. Everybody is staring at uncertainty, with even mature markets like the US and Europe reacting violently. We are seeing a chain reaction," said Motilal Oswal, chairman and managing director, Motilal Oswal Financial Services.

Market players said while valuations of many stocks had become attractive compared to historical levels, the uncertainty about the kind of damage the virus would cause to the economy and corporate earnings was stopping people from taking large buy positions.

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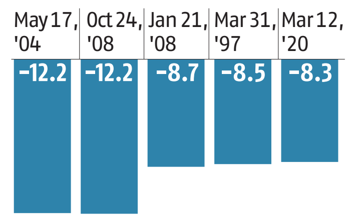
NIFTY 50

COVID-19 IMPACT

TOP 5 MARKET FALLS

Thursday's fall was the fifth-biggest for the Nifty in percentage terms



	May 17, '04	Oct 24, '08	Jan 21, '08	Mar 31, '97	Mar 12, '20
1-d chg (%)	-12.2	-12.2	-8.7	-8.5	-8.3

AT A LOW EBB

Many Nifty components and headline indices have closed at multi-year lows

	Price (₹)	Lowest since
Coal India	155	All-time low
ONGC	63	Sep 23, 2003
Tata Motors	88	Aug 21, 2009
ITC	156	Jun 05, 2012
Zee	191	Nov 20, 2012

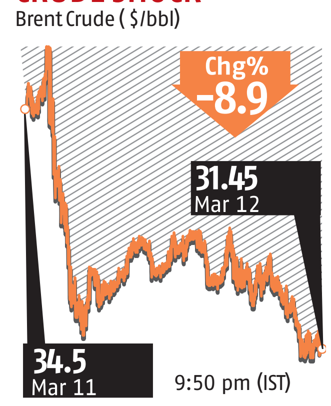
KEY INDICES	March 12 closing	Lowest since
Sensex	32,778	Mar 23, 2018
Nifty	9,590	Jun 30, 2017
Nifty Midcap 100	14,243	Dec 29, 2016
Nifty Smallcap 100	4,671	Mar 02, 2016
Bank Nifty	23,971	Mar 23, 2018

GLOBAL PAIN

US (Mar 12) 12:20 am (IST)		Mar 12, 2020	Chg 1D (%)
DOW JONES 21,557 -8.5%	Europe (9:50 pm IST)		
	CAC 40 Index	4,050	-12.1
	DAX Index	9,214	-11.7
	Euro Stoxx 50 Pr	2,553	-12.1
S&P 500 2,529 -7.8%	FTSE 100 Index	5,298	-9.9
	Asia		
	NIKKEI 225	18,560	-4.4
	Taiwan TAIEX	10,422	-4.3
NASDAQ COMPOSITE 7,362 -7.4%	Straits Times	2,679	-3.8
	Hang Seng	24,309	-3.7
	FTSE Bursa	1,419	-1.7
	Shanghai SE	2,923	-1.5

CRUDE SHOCK

Brent Crude ($/bbl)



Source: Bloomberg/Exchange
Compiled by BS Research Bureau

$2-bn swaps to deal with currency swings

ANUP ROY
Mumbai, 12 March

The Reserve Bank of India (RBI) on Thursday moved to address the dollar shortage in the market by offering a $2-billion swap for six months — a step that should ease pressure on the rupee, which is marching towards its record low.

The RBI will do a sell-buy swap, which means the central bank will sell dollars in the market now and buy them back six months down the line (or decide to roll over).

In March last year, the RBI had done buy-sell swaps for three years. Then, it had bought dollars in the spot market to infuse immediate rupee liquidity into the system.

In a statement on its website, the RBI said it was doing the swaps in view of the intense selling pressure witnessed worldwide on "extreme risk aversion due to the spread of COVID-19 infections". This is "compounded by the slump in international crude prices and a decline in bond yields in advanced economies". All asset classes are witnessing a spike in volatility, with mismatches in US dollar liquidity accentuating across the world, it noted.

Thursday's swap is the first of many such possible ones to come, as the Indian central bank gears up to utilise its formidable foreign exchange reserves to soothe the nerves of the market. For this purpose, the level of forex reserves, at $487.24 billion as of March 6, "remains comfortable to meet any exigency," the RBI said.

The rupee touched 74.50 a dollar in intra-day trade, crossing its record low of 74.46 a dollar in October 2018, as foreign portfolio investors (FPIs) continued to liquidate their local holdings in favour of the US Treasury. In March so far, FPIs have liquidated $2.67 billion in equities and $1.2 billion in bonds. The rupee closed at 74.22 a dollar on Thursday.

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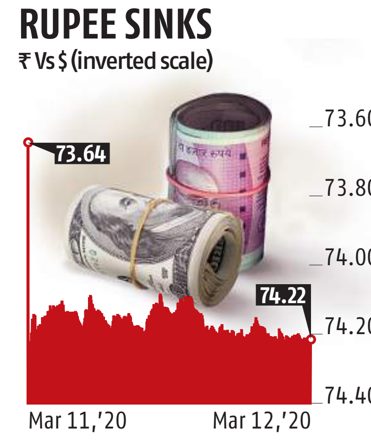
RUPEE SINKS

₹ Vs $ (inverted scale)



BATTERED BILLIONAIRES

Promoter stake value (₹ crore) as of March 12 — Change (%) Over Feb 20* | Over March 11





Name	Group	Promoter stake value (₹ crore)	Over Feb 20* (%)	Over March 11 (%)
GAUTAM ADANI	Adani Group	94,756	-37	-14
KM BIRLA	Aditya Birla Group	39,977	-29	-11
MUKESH AMBANI	Reliance Ind	328,884	-29	-8
RAHUL BAJAJ	Bajaj Group	51,900	-22	-8
SHIV NADAR	HCL Tech	80,307	-19	-8

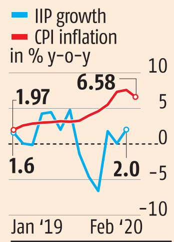
*Global markets started falling from Feb 20 on coronavirus fears Note: Promoters with stake more than ₹25,000 crore
Source: Capitaline Compiled by BS Research Bureau

DETAILED REPORTS P10, 11

FACTORY OUTPUT EXPANDS; RETAIL INFLATION EASES

India's macro economy showed slight signs of improvement as industrial output rose by 2 per cent in January against 0.07 per cent in the previous month, and the retail price inflation rate fell for the first time in seven months to 6.58 per cent in February from 7.59 per cent a month ago. However, the inflation rate remained above the RBI's comfort zone of 6 per cent. Contributing to the improvement, the current account deficit fell to 0.2 per cent of GDP in the third quarter against 0.9 per cent in the second quarter of the current financial year.

MACROECONOMIC SCENARIO



CAD narrows sharply to $1.4 billion in Q3

The country's current account deficit (CAD) narrowed sharply to $1.4 billion, or 0.2 per cent of GDP, for the December 2019 quarter, the RBI said on Thursday. The deficit had stood at 2.7 per cent in the corresponding quarter a year ago and 0.9 per cent in the previous quarter. The sharp contraction was mainly due to a lower trade deficit of $34.6 billion, and a rise in net services receipts, the central bank said.

Bank credit grows 6.13% in second half of Feb

Bank credit grew 6.13 per cent to ₹101.04 trillion while deposits expanded by 9 per cent to ₹133.31 trillion in the fortnight to February 28, according to the latest Reserve Bank data. In the year-ago fortnight ended March 1, 2019, bank advances were ₹95.20 trillion while deposits stood at ₹122.30 trillion. PTI

COMPANIES P3

SBI to invest ₹7,250 cr to rescue YES Bank

State Bank of India (SBI) on Thursday said it would infuse ₹7,250 crore into ailing YES Bank to buy up to 49 per cent equity as part of the Reserve Bank of India-mandated bailout plan. SBI will pick up 7,250 million shares at ₹10 each, and its shareholding will remain within 49 per cent of the paid-up capital of the private sector lender.

India reports first COVID-19 death

CORONAVIRUS PANDEMIC

A 76-year-old man who died two days ago in Karnataka while being treated for suspected coronavirus has become India's first COVID-19 fatality with his samples taken earlier confirming the infection, the state government said. 6 ▸

EDIT: COPING WITH CORONAVIRUS 9 ▸

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DoT to reassess AGR dues based on telcos' papers

The Department of Telecommunications said it would reassess the documents submitted by Bharti Airtel, Vodafone Idea, and Tata Teleservices, as part of the companies' self-assessment of adjusted gross revenue dues. The telecom service providers have been directed to make payments on the basis of self-assessment and submit requisite documents for compliance, said Sanjay Dhotre, minister of state for communications.

COMPANIES P3

FinMin: Ensure credit not disrupted after merger

Finance Minister Nirmala Sitharaman on Thursday met chief executives of two sets of public sector banks (PSBs) which are going to be merged on April 1. After the meeting, the finance ministry tweeted that the banks had been told to ensure that credit was not disrupted because of the amalgamation process.

Tata Sons buys group firms' shares amid market sell-off

Stock prices are down 20–40% year-to-date

JASH KRIPLANI
Mumbai, 12 March

Tata Sons, the promoter company of the Tata group, on Thursday bought shares worth ₹531 crore in four group companies in a bulk deal on the National Stock Exchange (NSE).

The company bought shares on a day when the stock markets racked up their largest single-day loss in terms of points.

The largest investment was made in Tata Steel, with Tata Sons buying shares worth ₹222 crore at an average price of ₹287 per share.

Tata Steel on Thursday ended 4 per cent lower on the NSE.

The stock is down 39 per cent since the beginning of February. Year-to-date, it is down 37 per cent.

Tata Sons also bought ₹177 crore worth of shares in Indian Hotels at an average buying price of ₹107. On Thursday, the share price of the hotel company was down 3.5 per cent. Year-to-date, the stock is down 23 per cent. Analysts say the hotel company can see some pressure on its stock because of coronavirus.

"The share purchase could be attributed to promoters looking to increase their stake, with prices falling to levels they deem to be below the fair value of their businesses," said S P Tulsian, chief executive officer of sptulsian.com.

Tata Sons held 31.6 per cent in Tata Steel, and 36.4 per cent in Indian Hotels Company, as of December 31, 2019.

The company bought shares worth ₹53 crore in Tata Power, and ₹79 crore in Tata Motors DVR. Year-to-date, the share price of Tata Power is down 28 per cent. Tata Motors DVR shares are down 43 per cent year-to-date.

According to broking houses, promoter group companies can act during such broad market sell-offs, to arrest the sharp price declines and protect investors' interests.

Tata Sons held 34.26 per cent in Tata Power at the end of December 2019.

RAISING THE STAKES

Stock	Avg. buying price	No. of shares (in mn)	Amt. invested (₹ crore)	Price chg on Thursday (%)
Tata Steel	287.44	7.7	222	-4.1
Indian Hotels	107	16.5	177	-3.5
Tata Motors DVR	43.15	18	79	1.3
Tata Power	38.72	13.8	53	6.5

Source: NSE bulk deals on Thursday

SUN PHARMA TO CONSIDER BUYBACK

Sun Pharmaceutical Industries on Thursday announced that its board would consider buyback of the firm's shares next week. According to analysts, more promoters could launch buybacks to reinforce shareholders' confidence and protect their market caps. "We are seeing unprecedented carnage in the markets. Promoters would now look at ways to prevent further erosion of shareholder wealth. We could see more companies announce dividends and buybacks to keep shareholders' confidence intact," said G Chokkalingam, MD, Equinomics Research and Advisory Services. JASH KRIPLANI

RBI asks states not to withdraw funds from private banks

ANUP ROY
Mumbai, 12 March

The Reserve Bank of India (RBI) on Thursday urged the chief secretaries of all states not to withdraw deposits from private sector banks for the sake of financial sector stability, and assured them of the safety of these funds.

The government of Maharashtra recently closed one account with Axis Bank, and decided to transfer funds from the private sector to public sector banks. The state government also advised its various departments to not put funds with private sector banks in view of the YES Bank fiasco. A few other state governments are also contemplating similar actions.

"We strongly believe that such a move can have banking and financial sector stability implications," the letter, signed by RBI Deputy Governor N S Vishwanathan, stated.

"We would like to point out that the Reserve Bank has adequate powers to regulate and supervise private sector banks, and by using these powers, it has ensured that the depositors' money is entirely safe," Vishwanathan said.

Business Standard has reviewed a copy of the letter.

The apprehension about the safety of deposits is "highly misplaced" and such a "reactive decision" will not be in the interests of the stability of the financial system in general and the banking system in particular, he said.

The resolution of weak private sector banks in the past has been done in a manner that the "depositors are not put to loss". In the case of YES Bank too, after the imposition of a moratorium, the RBI drew up a draft scheme "without any delay", the deputy governor wrote, adding that the central bank was making "every effort to expedite the finalisation of the scheme".

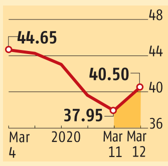
"We, therefore, request you to reconsider any decision you might have already taken or are in the process of taking to withdraw/transfer funds deposited by the state government and its entities under your jurisdiction in private sector banks," he said.

FROM THE RBI LETTER

- Financial sector stability could get impacted if states withdraw deposits from private banks
- Concern on safety of deposits is "highly misplaced"
- RBI has earlier ensured that depositors' money is entirely safe
- RBI making every effort to resolve YES Bank crisis

STOCKS IN THE NEWS

Tata Power Company

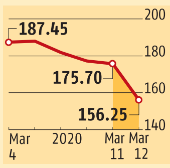


Postponed the shut-down of Mundra power plant to March 20

₹40.50 CLOSE

▲6.72% UP*

ITC

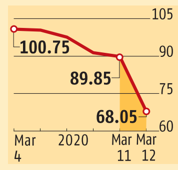


Market cap falls below ₹2-trillion mark; lowest level since July 2012

₹156.25 CLOSE

▼11.07% DOWN*

Motherson Sumi Systems

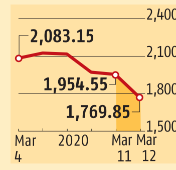


Coronavirus puts the brakes on auto sector

₹68.05 CLOSE

▼24.26% DOWN*

Tata Consultancy Services

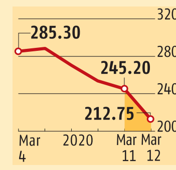


Lost ₹69,306 crore market cap in a single day

₹1,769.85 CLOSE

▼9.45% DOWN*

State Bank of India



Top loser among S&P BSE Sensex

₹212.75 CLOSE

▼13.23% DOWN*

*OVER PREVIOUS CLOSE

IN BRIEF

Lodha Group's UK subsidiary clears $325 million debt

Realty firm Lodha Group's UK subsidiary has cleared its $325 million debt which was raised through issuance of bonds in 2015. Lodha Developers International, a subsidiary of Mumbai-based Macrotech Developers, has paid $345 million (₹2,550 crore), including $20 million as interest, to clear its debt. Lodha International has completed all requirements and payments for the redemption of its March 2020 dollar bonds in full along with accrued interest, a company statement said. To repay its bond, the company has recently raised $225 million (₹1,650 crore) in senior secured notes with maturity in 2023. **PTI**

Debt from YES Bank has been secured, says Reliance Group

Reliance Group said it has no direct or indirect exposure to Rana Kapoor, former CEO of YES Bank, or his wife or daughters, or any entities controlled by the Kapoor family. The group said its entire exposure to YES Bank is fully secured and transacted in ordinary course of business, and that it is committed to honour repayments of all its borrowings from YES through its various asset monetisation programmes which are all at advanced stages. **BS REPORTER**

Mindtree ties up with US real estate firm Realogy

IT firm Mindtree said that it has entered into a pact with US-based residential real estate services firm Realogy to support its ongoing digital transformation initiatives over the next five years. Through this, Realogy Holdings has expanded its relationship to leverage its digital, data, and technology expertise, the tech firm said. **PTI**

OnePlus to invest up to $30 million in 5G research

OnePlus on Thursday said it was investing almost $30 million to scale up 5G research and development labs. "Having started 5G research as early as 2016, OnePlus plans to extend its plans to push 5G research and development forward, allowing OnePlus users to enjoy fast and smooth experiences on 5G," the company said. **PTI**

NCLAT dismisses govt plea to supersede 63 Moons Tech board

The National Company Law Appellate Tribunal (NCLAT) set aside the governments plea to supersede the board of 63 Moons Technologies. An NCLAT Bench headed by Chairperson SJ Mukhopadhaya, however, upheld the directions of the Chennai Bench of the National Company Law Tribunal to appoint three government nominees on the board of 63 Moons. **PTI**

Airtel acquires 10% stake in Spectacom Global

Telecom major Bharti Airtel on Thursday said it has acquired a strategic stake in Spectacom Global under its Airtel Start-up Accelerator Program that supports early-stage start-ups in India. In a regulatory filing, Bharti Airtel said the transaction was an "indirect acquisition of 10 per cent equity stake through wholly-owned subsidiary". **PTI**

NCLAT sets aside CAIT plea for Flipkart's acquisition

The National Company Law Appellate Tribunal dismissed a petition filed by traders' body CAIT against CCI nod to Walmart's $16-billion acquisition of Flipkart. A two-member Bench of the tribunal said CAIT failed to establish its allegations against the CCI granting approval for Walmart-Flipkart deal. **PTI**

Earnings dip may test firms with high debt

Metal firms may face immediate impact because of fall in international prices

KRISHNA KANT
Mumbai, 12 March

The next few months will test the financial resilience of Corporate India, as India Inc is staring at a sharp cut in revenue and earnings, thanks to a combination of the recent fall in commodity and energy prices, and lower demand for goods and services because of the economic disruption caused by the coronavirus outbreak.

Analysts see an immediate impact for companies in metals and mining, and oil and gas sectors. However, risk aversion in the financial markets could also impact capital-guzzling firms in sectors like non-banking finance and infrastructure. "The recent fall in metals and energy prices would translate into low margins and profits for most firms in these sectors for at least a few quarters. Many companies could also report losses," said Madan Sabnavis, head economist at CARE Ratings.

Any sharp decline in profitability could be financially painful for companies with large debt and low interest coverage ratio (ICR). ICR is a measure of a company's debt servicing ability and is calculated by dividing its operating profits by its interest liability. A higher ratio is preferable, and a score below 1.5 indicates a small fall in margins or profits could force it to default on interest payments.

Others say that the most pain will be felt by companies with high promoter pledges. "Most vulnerable are companies with a combination of high debt and high promoter's pledge," say G Chokkaligam, founder and managing director of Equinomics Research & Advisory Services.

On this front, most of the country's metal producers could face financial headwinds in the forthcoming quarters. Tata Steel, for example, reported ICR of 2.2x during the first nine months of financial year 2019-20 (FY20), down from 4x a year ago. The company's operating profit was down 46 per cent year-on-year (YoY) during the period, while its interest obligations were down around 2 per cent YoY.

The steelmaker had a total debt of around ₹1.24 trillion on a consolidated basis during the first half of FY20, while its market capitalisation was down to around ₹32,300 crore, making it tough for the company to raise fresh equity capital.

Similarly, Steel Authority of India's (SAIL's) ICR declined to 1.7x in the period under consideration, down from 3.2x a year ago. The firm's operating profit was down 41.1 per cent YoY in the first nine months of FY20, while its interest obligations were up 9.6 per cent YoY during the period.

Other companies with low ICR in the sector include Jindal Steel & Power and JSW Steel.

Infrastructure and power companies with large debt could also face headwinds if there is a significant fall in their earnings over the next few quarters. Equity investors have already discounted these firms with a large decline in their market capitalisation in recent months.

CORONAVIRUS PANDEMIC

IRB Infrastructure Developers — the country's top highway developer — reported a 6 per cent YoY growth in its operating profit in the first nine months of FY20, while its interest obligation was up 43.1 per cent during the period, leading to a sharp decline in its ICR. The company's market capitalisation is less than 10 per cent its total outstanding debt.

FINANCIAL POSITION OF TOP INDEBTED COMPANIES

	ICR*	Total gross debt (₹ cr)	M-cap (₹ cr)
Tata Steel	2.19	124,787.7	32,311.40
Tata Power	2.00	55,630.9	10,954.34
Adani Power	1.40	54,490.3	11,705.81
SAIL	1.74	53,951.6	10,223.05
JSW Steel	2.87	49,417.0	49,081.66
Jindal Steel	1.79	37,901.6	11,628.18
Piramal Enterp	1.68	36,033.2	23,379.30
IRB Infra. Devl	2.13	29,862.8	2,261.58
Reliance Power	1.36	29,593.9	384.30
Reliance Infra	2.15	24,212.0	356.35

Interest Coverage Ratio during 9MFY20, Compiled by *BS* Research Bureau
Source: Capitaline

Uncertainty likely to keep cement rates flat: Experts

AVISHEK RAKSHIT
Kolkata, 12 March

The uncertainty around the novel coronavirus' impact on the construction sector is likely to keep cement prices flat in the upcoming months.

According to industry officials and sector analysts, although the effects of coronavirus aren't felt in the construction sector yet, a prolonged crisis across business segments might affect the cement industry as well, and it is unlikely that prices will be increased under such volatility.

"Coronavirus' impact is not felt in construction activity so far. It is unlikely to be affected in the near-term, unless there is a major economic slowdown all across," Sandip Ghose, chief operating officer, Birla Corporation told *Business Standard*.

The World Health Organization has already declared coronavirus a pandemic, and India has opted to self-quarantine for a month. Stock markets have been reacting to the uncertainty around the economic impact of this virus. "The market is falling as people are unsure about what the future holds in wake of the coronavirus," said Kunal Shah, analyst with YES Securities.

The Sensex has fallen 6.41 per cent (35,697.4 points), from March 1 till March 11. Analysts have sounded caution, especially on companies having exposure to retail, multiplexes, amusement parks, and other public places. Electronic device manufacturers have also expressed their anguish over availability of components from China in wake of the temporary halt in trade.

On the other hand, the construction sector is also likely to feel the jitters in case of a protracted domestic crisis because of the virus, as it imports a significant amount of products from China. These include iron & steel, technical construction equipment, electronic equipment, and others such as plastic and fibre elements. Industry officials are cautious of the combination of a stagnant economy and the coronavirus threat.

"The demand has been recovering but this year, the growth will be much lower than what we had registered in previous years. On top of it, there is some uncertainty around coronavirus, but let's see how it eventually reflects on the state of the economy," an industry executive said.

Additionally, any outbreak of a momentous scale could also lead to labour shortage as well, which may impact construction activities.

Sector analysts are of the view that given the muted state of cement demand in the country, a price hike is unlikely in the near-term. "There may not be an increase, but prices are expected to remain stable in the near-term," said Ghose. According to a report from brokerage firm Anand Rathi, no price hikes were announced across India this month, except the South and West.

AT A GLANCE

Prices in February / March (in ₹ per bag)

	February	March
North	340-345	335-345
East	305-315	310-320
Central	330-335	340-350
West	330-350	340-355
South	310-315	320-330

Sources: Anand Rathi Financial Services, industry

Flipkart, Amazon test future of work

SAMREEN AHMAD & PEERZADA ABRAR
Bengaluru, 12 March

While Amazon India has begun a dry-run for work from home, Flipkart has told its staff in Bengaluru to work offsite for three days

With the outbreak of coronavirus in India, top e-commerce companies, including Walmart-owned Flipkart and Amazon, are testing out the future of work, and are telling their employees to work from home.

While Amazon India has begun a dry-run for work from home, Flipkart has told its 10,000-odd staff at its Bellandur campus in Bengaluru to work offsite for three days as a part of a pilot project for business continuity. Flipkart is checking system preparedness for working remotely using digital and video tools, according to people familiar with the matter. The e-commerce firm has made it compulsory for its employees who operate out of its corporate headquarters located in Bellandur to work from home, starting Wednesday for three days.

"It is being run as a pilot and this might become a playbook about how to work from home in such scenarios (coronavirus outbreak)," a person with knowledge about Flipkart's strategy, said. The person said that given that there are millions of customers and lakhs of sellers dependent on Flipkart, asking employees to work from home is part of a plan to tackle any future eventuality like the coronavirus outbreak. "Their systems are designed to operate in such situations, but they wanted to make sure to 'pressure test the whole system'," said the executive. "The company is letting its engineers operate from home, making sure they have the bandwidth and secured connectivity (virtual private network), which can solve problems in the same manner as they are solving at the head office."

The firm is promoting the use of video conferences for meetings, including job interviews, and are temporarily avoiding events and training programmes that require large gatherings. "In fact, Kalyan (Krishnamurthy, CEO, Flipkart Group) himself comes on Google Hangouts couple of times a day to take stock of the situation and things like pricing, supply, technology, and wellbeing of the employees," said a person.

Amazon also begun a work from home pilot for its employees in Bengaluru, according to sources. A few teams have been asked to login from home to check the level of preparedness of the systems.

Amazon employees diagnosed with COVID-19 or placed in quarantine will also receive up to two-weeks of pay, said the company. "This additional pay-while-away-from-work is to ensure employees have the time they need to return to good health without the worry of lost pay," said Amazon in a blogpost. The US-headquartered company has also set up a $25-million global fund called the Amazon Relief Fund, keeping in mind the health of its employees. "It will be focused on supporting our independent delivery service partners and their drivers, Amazon Flex participants, and seasonal employees under financial distress during this challenging time," added Amazon.

Infrared thermometers are being used at entry points at the World Trade Center in Bengaluru where Amazon operates out of, to check the body temperatures of visitors and staff. "Our teams are on high alert and are diligently monitoring the situation. We have not had a single suspected case so far," said Vineet Verma, president of World Trade Center, at Bengaluru, Kochi, and Chennai.

B2B unicorn Udaan has also advised people to work from home, whereas some employees who continue to come to the workplace are mandatorily encouraged to wear face masks.

Apple delays India launch of iPhone SE2

ARNAB DUTTA
New Delhi, 12 March

With no signs of the coronavirus outbreak (COVID-19) abating, US technology major Apple has postponed the launch of the new iPhone model — iPhone SE 2 or iPhone 9 — by at least a fortnight, sources said.

The delay of the SE 2, billed as the cheapest iPhone and tentatively priced below ₹40,000 in India, puts the brakes on the tech major's plans for a revival in the second-largest smartphone market. Planned in line with its earlier bet for the India market — iPhone SE, launched in 2016 — the SE 2 was positioned as an entry-level phone targeting aspirational buyers. However, with the supply chain at its largest manufacturer Foxconn in disarray, as it is struggling to operate in China because of the COVID-19 crisis, the postponement was inevitable, said experts.

The iPhone SE was a 4-inch model priced at ₹39,000 to lure consumers who were unwilling to shell out ₹50,000 or more for a premium handset. Coupled with the success of its earlier launches — iPhone 6 and 6S — Apple witnessed a jump in its sales, registering a record 3.2 million sales in the country, a feat it is yet to match. According to sources, the SE 2 will be much larger, with screens that are 5-inches or larger. The SE 2 will be modelled on the iPhone 8, unlike its predecessor, which was modelled on the iPhone 5S. "The new iPhone is surely a clear bet for markets like India, where Apple has struggled to reach the masses because of its expensive propositions. It is a very important model for Apple as brands like OnePlus, that are present in the ₹30,000-40,000 price range, have done very well in the past few years," said Navkendar Singh, research director at IDC. According to him, a new iPhone model in that price range may give Apple an edge in the premium segment (above ₹35,000).

WHAT TO EXPECT FROM IPHONE SE2

- Larger display than iPhone SE – 5-inch or more – with LCD screen
- A design similar to iPhone 8, with a speedy A13 bionic chip used in 11 series
- Touch ID, instead of a face ID, and a single lens rear camera
- May come in three colour variants – space grey, silver, and red
- An entry-level iPhone – priced below ₹40,000

Inbound international air travel hit, reduces by 30%

B DASARATH REDDY
Hyderabad, 12 March

There was a 25-30 per cent drop in inbound international air travellers to India with the imposition of restrictions on cross border movement of people in the wake of the coronavirus pandemic, according to Usha Padhee, joint secretary in the Union civil aviation ministry.

"There has been a drastic reduction in the number of international travellers. I was told it has come down by 25-30 per cent. Because of the quarantine measures taken by every country to contain the spread the virus, both inbound and outbound traffic have got severe impact," she said.

The impact on inbound international travel is expected to be even bigger in coming days, following the Government of India's March 15 advisory suspending the visas of all inbound travellers. except those having diplomatic, official, employment and project visas. India suspended all tourist visas till April 15 in a bid to contain the spread of the virus in the country.

Edtech firms offer free access to their learning platforms

SAMREEN AHMAD & NEHA AHLAWADHI
Bengaluru & New Delhi, 12 March

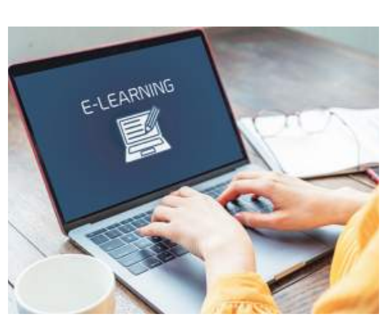
Online education companies in India and globally are offering their paid programmes to students — whether in school or pursuing higher education — free of cost because of the COVID-19 pandemic. Beginning Thursday, online learning giant Coursera said it was going to provide every impacted university in the world free access to its course catalogue through 'Coursera for Campus' until July 31.

"We're going to make 'Coursera for Campus' offering freely available to any college or university in the world that is impacted by coronavirus, in the hope that they can rapidly allow students to start learning and ensure we have minimal impact from coronavirus on the student community," said Leah Belsky, chief enterprise officer and senior vice-president, Coursera.

Coursera has 48 million registered learners worldwide and offers courses, specialisations, degrees, and certificate programmes online. The 'Coursera for Campus' offers job-relevant online education to students, alumni, faculty, and employees of firms like Mindtree, Tata Communications, Axis Bank, Infosys, Airtel, and Manipal Group.

Indian universities can continue teaching their students online without creating new infrastructure. Coursera's existing 'Coursera for Campus' partners include Manipal Academy of Higher Education, UPES, Shiv Nadar University, KL University, NMIMS, and Pearl Academy. In India, it has 5 million registered learners, and is adding over 100,000 learners per month.

Universities can sign up to provide their enrolled students with access to more than 3,800 courses and 400 specialisations from Coursera's top university and industry partners.



Similarly, Indian education technology firms are also offering free classes and course material for students impacted by the novel coronavirus.

Bengaluru-based edtech firm Simplilearn is providing free access to its courses, based on artificial intelligence, machine learning, Big Data, and cybersecurity, among others, to its users. "We understand the possible restrictions (due to the coronavirus outbreak) and thereby continue to support the growth of our learners through our free online programmes on our app," said Krishna Kumar, founder and chief executive, Simplilearn. Byju's also said it would provide free access to its complete app to school students till the end of April. Some Indian states like Kerala, Karnataka and New Delhi have already announced the closure of schools.

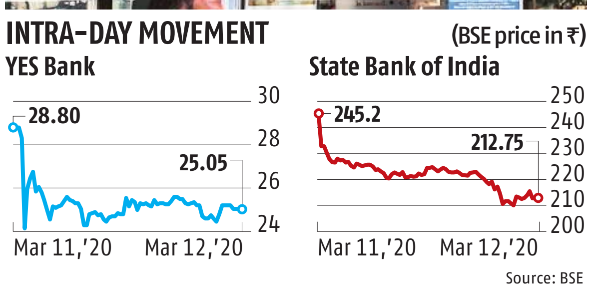
A UNESCO report states the education of about 290 million students across 13 countries will be interrupted because of the COVID-19 pandemic.

Another edtech platform Unacademy said it will conduct close to 20,000 free live classes on its platform, across exam categories like UPSC, banking, railways and so on. Unacademy claims it has 10,000 educators, 13 million learners, and subscriptions for over 30 exam categories.

Educational Initiatives, a 20-year-old edtech company based out of Bengaluru is also offering 60 days free access of Mindspark to all students, so that the school closure due to COVID-19 does not impact their learning. Mindspark is an artificial intelligence-powered specialised mathematics programme developed for children's learning. Similarly, edtech firm Toppr is going to provide free live classes to students in classes 5 to 12.

While it is yet to be seen how effective these measures will be, Coursera's Belsky said the US education system invested in digitising after events like Hurricane Katrina, which forced school and college students to miss studies for months.

SBI to invest ₹7K cr in YES Bank



ABHIJIT LELE
Mumbai, 12 March

State Bank of India (SBI) on Thursday said it would infuse ₹7,250 crore into ailing YES Bank to pick up to 49 per cent equity as part of the Reserve Bank of India-mandated bailout plan.

SBI will pick 7,250 million shares at ₹10 each, and its shareholding will remain within 49 per cent of the paid-up capital of the private sector lender.

Under the restructuring scheme, the authorised capital shall stand altered to ₹5,000 crore.

The number of equity shares will stand altered to 24,000 million of ₹2 each aggregating to ₹4,800 crore.

SBI's stake in altered capital is expected to be 30 per cent, going by the restructuring scheme. "The executive committee of the central board at its meeting on March 11 accorded approval for purchase of 7,250 million shares of YES Bank at a price of ₹10 a share, subject to regulatory approvals," SBI said in an exchange filing on Thursday.

Under the reconstruction scheme, SBI is to buy up to 49 per cent of YES Bank and cannot reduce its holding below 26 per cent for the next three years. The SBI investment of ₹7,250 crore is much higher than the ₹2,450 crore it had planned initially for 49 per cent stake in the private sector lender.

Last week, SBI Chairman Rajnish Kumar had said the bank would invest ₹2,450 crore to buy 2,450 million shares of YES Bank. SBI was also in talks with other investors, and SBI investment would not exceed ₹10,000 crore.

On March 5, the RBI had imposed a moratorium on YES Bank, restricting withdrawals to ₹50,000 per depositor till April 3.

The RBI also superseded the board and placed it under an administrator, Prashant Kumar, who is a former deputy managing director and chief financial officer of SBI.

The administrator will take on board results for third quarter on Saturday. The final restructuring scheme is expected to be finalised on Friday.

YES Bank is banking on investment by SBI, speedy resolution with support from the RBI and SBI, and fundraising plans to instil confidence among customers, according to administrator.

Accept offer, will withdraw plea: Bondholders to RBI

SURAJEET DAS GUPTA & JASH KRIPLANI
New Delhi/Mumbai, 12 March

Investors of YES Bank additional tier-1 (AT-1) bonds have written to the Reserve Bank of India (RBI) through Axis Trustee Services asking it to accept an offer where they can recover at least 20 per cent of investments, saying they will withdraw their petition in Bombay High Court (HC) if this is done.

In a letter sent by Axis Trustee to RBI, the former said that bondholders propose a minimum of 1.7 billion shares to be allotted to them, in proportion of their current exposures.

As a result, the imputed value would work out to ₹10 per share, which would approximately amount to ₹1,700 crore. This will lead to "salvaging near-about 20 per cent of the principal outstanding", the note said.

Further, the bondholders have requested that the lock-in features, if any, should be restricted to 36 months, in line with the proposed new equity issuance of the issuing bank.

Axis Trustee also said that if the above terms were acceptable, the majority bondholders of AT-1 bonds, on whose behalf it is intervening, would not pursue any further legal recourse and would withdraw the current petition.

Axis Trustee had filed a petition in the Bombay HC seeking relief from the RBI's proposal for a full writedown of YES Bank's AT-1 Bonds. Arguments are yet to begin, with the matter still in the pre-admission stage.

Meanwhile, L&T and L&T Officers and Supervisory Staff Provident Fund also moved HC on Wednesday, seeking relief.

Overall, more than ₹8,000 crore of investments are exposed to YES Bank's AT-1 bonds. The information memorandum of these bonds had outlined the risk of write-down or equity conversion in case the bank is deemed non-viable or approaching non-viability.

AT-1 bonds are also called perpetual bonds as there is no fixed maturity date and bondholders can exit when the issuing bank exercises its call option, which is typically five years from date of issue.

Vehicle sales up in Feb after 11 months

Automobile retail sales in general — excluding passenger vehicles (PVs) — grew in February, after nearly 11 months of year-on-year (YoY) fall.

However, dealers say despite the YoY growth, overall retail sales were much below expectation. The anticipated pre-buying ahead of the April 1 deadline for a switch to vehicles meeting the higher BS-VI emission standards, which will be costlier, is not being seen.

While overall automobile sales rose 2.6 per cent in February, those of PVs dropped nearly 1.2 per cent, compared to the same month last year. This was the only segment to see a fall — it appears customers are postponing their purchases in the hope of getting good discounts closer to the deadline.

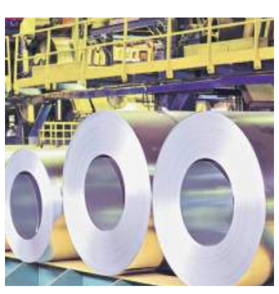
According to the Federation of Automobile Dealers Associations (FADA), apex body of the segment's retail industry in the country, the overall sales were 1,711,711 units in February, compared to 1,668,268 units a year ago. Dealers attribute this to a focus on liquidation of existing stock, discounts and better rural sales. After January 2019, except in October 2019, retail numbers were in the red. October's numbers were better as it was a festival month.

According to FADA President Ashish Harsharaj Kale, customers are asking for unreasonable discount, which is impacting PV sales.

Availability of credit is also a factor. He said many were holding back on purchase decision, expecting sweeter deals towards the end of March. Another factor is the coronavirus scare. It is leading to an alarming drop in customer visits to showrooms. The share market is also contributing to the weakened purchase sentiment.

T E NARASIMHAN

Vedanta's Lanjigarh alumina unit set for record performance



ADITI DIVEKAR
Mumbai, 12 March

Vedanta's Lanjigarh alumina refinery is set for a record performance in FY20, with total production expected to increase to 1.8 million tonne (mt) from 1.5 mt in the previous financial year.

The jump in production will be backed by a significant improvement in operating efficiencies, the company informed in a release on Thursday.

The improvement in operational parameters has been driven by 26 per cent reduction in caustic soda consumption and 19 per cent decline in conversion cost.

The unit has achieved 9 per cent reduction in bauxite cost per tonne through strategic bauxite sourcing.

Lanjigarh now ranks among the top five alumina refineries globally in terms of total energy consumption, said the Anil Agarwal-led firm. There has been reduced carbon intensity to 30 per cent below global average of $1,500 per tonne. Lanjigarh is on track to deliver aluminium cost of production exit rate in Q4 2020, it said.

Hindustan Zinc, on the other hand, has recorded metal-in-concentrate production of 90,000 tonne in February, while metal output jumped to 80,000 tonne for the month. The cost of production, excluding royalty, fell below $1,000 per tonne levels in Q4FY20.

Alongside, the steel business of Electrosteel Steels, which was acquired in 2018, has recorded an improvement in operational performance with Ebitda margins of over $100 per tonne in Q4FY20.

Electrosteel is set to achieve the best-ever production of 1.4 million tonnes in FY20, said the company.

Meanwhile, Cairn Oil & Gas has successfully ramped up its facilities to full production ahead of time.

Vedanta Limited, a subsidiary of Vedanta Resources Limited, is a diversified natural resource company with business operations in India, South Africa, Namibia, and Australia.

Ensure credit not disrupted after bank merger: FinMin

SOMESH JHA
New Delhi, 12 March

Finance Minister (FM) Nirmala Sitharaman on Thursday met chief executives of two sets of public sector banks (PSBs) which are going to be merged from April 1.

After the meeting, the finance ministry tweeted that the banks have been told to ensure credit is not disrupted because of the amalgamation process.

"Amalgamating PSBs made a presentation to Sitharaman on their preparedness... to ensure no disruption to credit and enhanced customer experience," said a statement by the Department of Financial services.

The FM met chief executives of Punjab National Bank (PNB), United Bank of India and Oriental Bank of Commerce along with Union Bank of India, Andhra Bank and Corporation Bank.

The FM will meet officers of the remaining banks on Friday.

The banks presented to the FM their "business and financial plans including credit and deposit growth and year-wise synergy realisation plan". The FM checked on the preparedness and capacities of the amalgamating banks to handle and address customer queries and difficulties.

From April 1, PNB, Oriental Bank of Commerce, and United Bank of India will combine to form the nation's second-largest lender. Canara Bank will take over Syndicate Bank; Union Bank of India is planned to be amalgamated with Andhra Bank and Corporation Bank; and Indian Bank will subsume Allahabad Bank.

Immediately from April, the balance sheets and stocks of the banks will be merged. The integration of technology, human resources and branches/ ATMs will take place in a phased manner.

Jet lenders to seek 90-day extension for resolution

SUBRATA PANDA
Mumbai, 12 March

The committee of creditors (CoC) of Jet Airways on Thursday decided to file for an extension of the airline's corporate insolvency resolution process (CIRP), given that a plan to revive the firm is still not on the table. None of the players in the fray, however, has backed out of the process completely.

An extension of up to 90 days may be sought from the National Company Law Tribunal (NCLT), sources said. It was also discussed in the meeting that perhaps this was not the right time to go for liquidation of the company, given weak sentiments prevailing in the economy because of the coronavirus outbreak.

Under the insolvency and bankruptcy code (IBC), the maximum time limit for the completion of CIRP has been set at 330 days, which includes the litigation period. The 270-day CIRP period of the company ends on March 15.

Under the IBC provisions, Jet can get a 60-day extension from the bankruptcy tribunal. However, the NCLT will decide whether it will grant a 90-day extension to Jet, as no resolution plan has been submitted by any of the suitors. The grounded airline did not receive any proposal for revival until the last date of submission of resolution plan expired on March 9.

Sources said the three players — Russia-based Far East Development Fund, New Delhi-based Prudent ARC, and South America-based Synergy Group — are still in the fray, but issues related to slots are stumbling blocks that are preventing them from presenting a resolution plan. The Russian fund expressed interest in the airline's revival last month, hoping to introduce Sukhoi Super Jet 100 in the Indian market. Its executives met the top functionaries of the government but were apparently nudged to consider investing in Air India. On the other hand, Prudent ARC had sought additional time to raise funds from investors but failed to muster a plan, while Synergy Group turned cold as it had issues regarding airport slots in India and abroad. Besides slots, Synergy had reservations about the liabilities of the airline.

Sources also said there would not be a fresh call for bids for the firm. If anyone shows interest it will be taken up by the CoC accordingly. This was the second time that the lenders called for a fresh resolution as the first round of bidding did not yield much response. The lenders gave ample time to the prospective suitors by extending the deadline repeatedly.

A few days ago, Vishesh C Chandiok, chief executive officer of Grant Thornton India, had tweeted that the airline had run out of options, as he feared it was end of the road for the airline. The total claim amount of the creditors is ₹36,090 crore, of which ₹14,640 crore was admitted as on October 20. Jet had shut its operations in April 2019 and was dragged to the insolvency court on June 20, 2019, by its lenders over dues.

Currently, the airline has 12 aircraft, including three Boeing 737s, six Boeing 777s, and three Airbus A330s, (including one leased to Air Serbia).

Jet had 20-30 per cent of available slots at Delhi and Mumbai airports and overseas traffic rights, but these had been allocated temporarily to other carriers. In December 2018, the airline had 115 planes but most of them have been repossessed by lessors.

CONSUMPTION FEELS COVID-19 STRAIN

Retail market could be set back by a qtr

Companies expect recovery by the second quarter of FY21

VIVEAT PINTO, RAGHAVENDRA KAMATH, ARNAB DUTTA & T E NARASIMHAN
Mumbai/New Delhi/Chennai, 12 March

India's consumer and retail market could be set back by at least a quarter because of the coronavirus scare, top executives of companies have told *Business Standard*.

While supply-side concerns remain, the bigger worry for most companies is the impact on domestic demand, which has been weak for a few quarters now. October-December 2019 saw the fast-moving consumer goods (FMCG) market report its lowest growth in six quarters, according to market research agency Nielsen.

CORONAVIRUS PANDEMIC

The forecast is that growth could be muted for the three months ended March 31, 2020, as coronavirus cases grow, said Nitin Gupta, FMCG analyst at brokerage SBICAP Securities.

A recovery in demand, said companies and analysts, would be visible by the second quarter of 2020-21.

The only bright spot is the health and hygiene space, where players have seen demand for face masks, hand sanitisers, and soaps grow exponentially in the last few weeks.

But, as Gupta says, it may not compensate for the lack of growth in other segments of the market.

The situation is no different in sectors such as automotive and real estate, which have been battling a slowdown for many months now. A recent report by India Ratings said the domestic auto market, which was more than 3 million units in size, had seen volumes plunge over 16 per cent between April and December 2019, its worse in two decades.

The industry could close 2019-20 losing 12-15 per cent of its market size in terms of volume versus the previous year, the ratings agency said.

Real estate, on the other hand, has seen sales grow at a sluggish pace in 2019 in most of the top cities and metros, sector experts said. The forecast is weak for the first three months of the current calendar year as the government issues travel and health advisories, forcing consumers to postpone big-ticket purchases.

The Delhi government, for instance, has asked schools, colleges, malls, and theatres to remain shut till March 31. Karnataka, Kerala, and Maharashtra are on high alert as coronavirus cases increase in these states.

Firms are bracing for the worst. "This is a challenging period. The FMCG market was grappling with an overall consumption slowdown anyway and now the coronavirus scare has exacerbated the situation. People in urban areas are not getting into malls and stores due to health concerns around the virus. This will affect sales coming from modern trade. Even traditional trade will get hit," he said.

Kamal Khetan, chairman and managing director at Mumbai-based Sunteck Realty, said there could be an impact on the real estate market if the situation aggravates any further. India has reported 73 confirmed coronavirus cases so far, with the number likely to rise as more people report sick across the country.

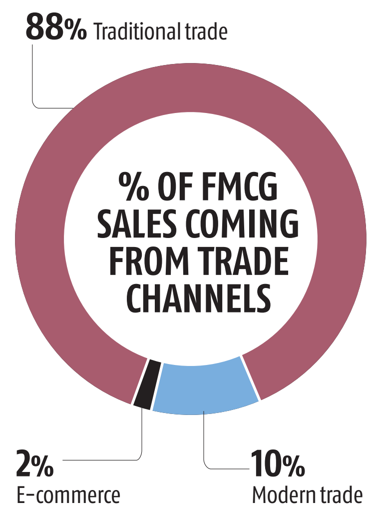
Conversations with retailers and mall owners in cities such as Mumbai, Delhi, and Bengaluru reveal that footfalls are down 25-30 per cent due to the virus scare. Key events and launches across categories have been postponed and even the Indian Premier League matches are likely to be played for a television (TV) audience only.

Avneet Singh Marwaha, chief executive officer, Superplastronics, an original equipment maker and brand licensee for Kodak and Thomson TVs in India, said he saw price hikes kicking in as supply disruptions remained for manufacturers. "The crisis has led to a substantial price increase in television panels, which constitutes 65 per cent of a TV set's cost. This will lead to a minimum price hike of 10-15 per cent by March-end for consumers," he said.

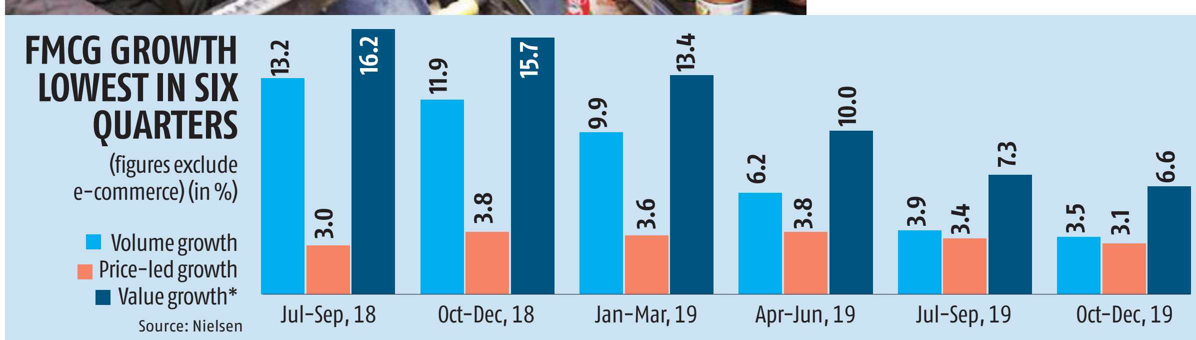
Ashish Harsharaj Kale, president, Federation of Automobile Dealers Associations (FADA), an apex national body of automobile retailers, said there was an alarming drop in customer walk-ins at showrooms.

The worst hit, he said, was the two-wheeler segment, where 60 per cent of sales happened through walk-ins. Kale also said the overall outlook for auto sales in the March remained weak due to the coronavirus.

PHOTO: PTI



Source: Industry



Source: Nielsen

LEADERSPEAK

"SAY NO TO PANIC, SAY YES TO PRECAUTIONS. NO MINISTER OF THE CENTRAL GOVERNMENT WILL TRAVEL ABROAD IN THE UPCOMING DAYS. I URGE OUR COUNTRYMEN TO ALSO AVOID NON-ESSENTIAL TRAVEL"
NARENDRA MODI, Prime Minister

"WE CAN SEE WHAT IS HAPPENING TO STOCK MARKET. THE ECONOMY HAS BEEN DESTROYED BY THE MODI GOVERNMENT. WHAT WE HAVE SEEN IS ONLY THE BEGINNING OF A TSUNAMI, THINGS WILL GET WORSE"
RAHUL GANDHI, Congress leader

"PUBLIC HEALTH SYSTEM DOES NOT EVEN MANDATE A FLU-SHOT EVERY YEAR. THESE KINDS OF THINGS ARE IMPORTANT... WE GET INTO VACCINE PRODUCTION, AND GETTING UNDERSTANDING OF EPIDEMICS IS IMPORTANT, WE NEED STUDIES"
KIRAN MAZUMDAR-SHAW, Chairperson and Managing Director, Biocon

Airlines, travel firms battle cancellations

ANEESH PHADNIS & ARINDAM MAJUMDER
Mumbai/New Delhi, 12 March

Visiting California was on Amrita's list for 2020. Now, however, she has second thoughts about the earlier much-awaited travel, which is due to start on March 21, owing to the coronavirus outbreak.

"I am worried about being quarantined and stuck when I am there. Also, I don't want to be off work for 14 days after I return," says the 29-year-old, who works for a multinational fashion outlet.

However, cancelling the ticket she booked on major Gulf carrier Etihad Airways would cost Amrita almost ₹20,000. She does, though, have an option of rescheduling the flight, free of charge. The dilemma — to travel or not — is a common one as the virus spreads globally. Those with reservations face potentially steep losses for cancelling; those contemplating trips must weigh the risks of getting sick or being quarantined.

With the rapidly expanding outbreak upending travel across the globe, many airlines are waiving the fee typically charged to change or cancel a ticket. They and travel agents are reworking schedules, following the Indian government's decision to suspend visas and US President Donald Trump's decision to stop all flights between Europe and America.

"The situation remains dynamic, making it hard to quantify the actual impact on our business and industry at large," says Rajesh Magow, chief executive at travel major MakeMyTrip.

On Wednesday night, the central government suspended all existing visas for foreign nationals till April 15. And, asked Indians to avoid international travel — else, they could be quarantined for 14 days on return. Executives of airlines and travel firms say they had calls from anxious customers and deliberated on next steps with their head offices, as the new restrictions further wipe travel demand.

"We expect nil international travel till April 15. Customers cancelling could expect a refund of 50-90 per cent of package cost, depending on booking conditions," said Rakshit Desai, managing director at FCM Travels, a tour operator.

The large number of queries to its call centres have forced the largest Indian airline, IndiGo, to ask customers to skip phone lines and directly reschedule tickets from their website. "It's free and hassle-free," says its promo.

Travel portal Yatra.com said it had launched a Trip Protection Plan, where customers can get refunds if they want to cancel the travel plan.

"We have received close to 35 per cent cancellation queries from those (earlier) planning trips to foreign destinations. In case our travellers want to cancel or delay their reservations, we are advising to postpone the travel dates and book for alternate ones," said Sabina Chopra, co-founder, Yatra.

Foreign airlines had been cancelling their India flights as the virus slowly spread across the world, inviting new travel sanctions from authorities. According to the Indian government data, foreign and Indian carriers had together pulled out around 250 flights till Tuesday.

Hong Kong-based Cathay Pacific said it had rationalised flights out of India and would be operating eight weekly flights from Delhi and Mumbai until April 30.

"We will have to combine flights or operate smaller capacity aircraft to India, depending upon loads," said a senior executive of a West Asian airline.

Typically, flight loads on outbound flights in March comprise non-resident Indians and foreign tourists returning from India. This season also sees a lot of traffic from West Asia to India, especially to Kerala, as schools in the region close for spring break, the executive said.

WHAT AIRLINES ARE DOING

- Cathay Pacific will operate eight flights per week to Delhi and Mumbai till April 30. Suspending flights to Bengaluru, Chennai, and Hyderabad from March 18
- Qatar Airways has reduced frequency of its Kerala flights from Wednesday
- Lufthansa, Swiss cut frequency to India. Air India reduces flights to San Francisco
- West Asian airlines consider clubbing flights or operating smaller capacity aircraft to the country

PHOTO: PTI

Visa suspension may cost firms ₹8,500 crore

The travel and hospitality industry is headed for its worst crisis with at least ₹8,500-crore hit in revenue due to suspension of most visas over fears of spread of coronavirus that would result in lower footfall and drop in business for tour operators, hotels, and the aviation industry.

Hotels and tour operators have seen a spurt in cancellations, particularly after the WHO declared the outbreak a pandemic. At least 40 per cent of rooms across big chains of hotels are going empty, while banquet bookings have been cancelled, industry officials and associations said. **PTI**

Foreign cruises banned from entering India

ADITI DIVEKAR
Mumbai, 12 March

With COVID-19 cases rising, the entry of cruise ships from abroad into the country has been halted effective Wednesday, said a government order. "Due to this, we (Mumbai Port) have had to cancel 15 pre-booked cruises in the final leg of the season," Yashodhan A Wanage, deputy chairman, Mumbai Port, told *Business Standard*.

Only those cruise ships which had planned and intimated their call to an Indian port not later than January 1, will be allowed to call at such a port, according to a shipping ministry notice. However, it adds, any such ship or crew member or passenger having visited any coronavirus-affected country since February 1 will not be permitted to enter any Indian port till March 31.

The Mumbai port had seen no cancellations for the cruise season starting October. Of 243 pre-bookings, 220 cruises had already taken place. The current 15 cruise cancellations are from the remaining 23 pre-bookings.

Essel Group-owned Jalesh Cruises, a multi-destination one with a 2,000-passenger capacity, returned empty from Dubai on Thursday. The crew were mostly of Indian nationality, with some Americans and Filipinos.

"Our 631 crew members are from non-restricted regions that never left the vessel. The entire crew has tested negative (for coronavirus)," said Jurgen Bailom, president and chief executive officer at Jalesh. Formally a domestic cruise product, it is not impacted by the latest change in stance by the government, meant for foreign cruises calling at Indian ports.

"We have decided to postpone (not cancel) our remaining nine trips of the season to the end of March," said Bailom. "We have not thought of anything beyond March 31."

The Indian cruise season typically runs from October through May, the final month being the busiest. Mumbai is one of the busiest among ports of call for cruises, followed by Goa, Mangalore, and Kochi.

"We suddenly have to cancel seven cruises calling at New Mangalore Port," said Y R Belagal, traffic manager at the port trust there. "The port is going to lose ₹1.75 crore this season due to this."

PHOTO: REUTERS

CRUISE CONTROL

15	₹1.75 cr	9
cruises cancelled by Mumbai Port	loss to Mangalore Port because of cancellations	trips postponed by Jalesh Cruises to end-March

- Angriya Cruise continues to remain active

Seeking safe harbour under force majeure *may not help: Experts*

SUDIPTO DEY
New Delhi, 12 March

The *force majeure* clause, which some in Corporate India could be looking to invoke in case of a breakdown in contracts because of the coronavirus outbreak (COVID-19), might not work in all cases, say experts.

"COVID-19 is unlikely to give rise to a valid *force majeure* defence under every contract and in every circumstance, as different contracts and governing laws stipulate different requirements for different situations," said a note prepared by law firm Cyril Amarchand Mangaldas for its clients, assessing the legal impact of the outbreak on India Inc.

The note highlighted the need for companies to proactively manage the related legal risk, and carefully assess which party would bear the financial losses caused by the breakdown.

Legal experts said that unlike many civil law jurisdictions, in India, *force majeure* is a contractual right, and not a right codified under the law. "Given its inherent limitation as a contractual issue, the interpretation and scope of this concept is subject to its precise wordings in the contract and judicial scrutiny if its interpretation translates into a dispute between the parties," said Rishi Anand, partner at DSK Legal.

In the absence of any codified *force majeure* law in India, experts fear it is only a matter of time before Indian courts are burdened with contractual disputes because of COVID-19. "It is perhaps time for Indian legislators to rethink the contract law to include specific safeguards to contracting parties on occurrence of *force majeure* events," said Anand.

Experts say businesses seeking safe harbour under the provision have to carefully analyse the relevant provisions of the contract. It is important to first determine whether *force majeure* is a contractual right or a legal right, they added. Businesses would also have to analyse if invoking *force majeure* claim would result in a claim of termination of the contract, said experts.

If the contract does not include a *force majeure* clause, businesses could still claim relief under Section 56 of the Indian Contract Act, 1872. "However, in order to claim that the contract is frustrated, it must be shown that performance of the contract is entirely impossible and that it has become fundamentally different from the arrangement contemplated at the time of executing the contract," said Cyril Amarchand Mangaldas.

Experts say the outbreak could impact ongoing mergers and acquisitions (M&As). "Parties to M&A transactions should carefully examine the terms of their transaction documents and consult with their counterparties to promptly address the challenges brought by COVID-19 outbreak," the note added.

"At the end, common commercial considerations of the parties will have to be at the forefront, which can be achieved only by dialogue, rather than confrontational dispute," said Anand.

Experts say the outbreak could impact ongoing mergers and acquisitions

WHAT IS *FORCE MAJEURE*?

- The law relating to *force majeure* — a French phrase that means a 'superior force' — is embodied under Sections 32 and 56 of the Indian Contract Act, 1872
- It is a contractual provision agreed upon between the parties. The occurrence of a *force majeure* event protects a party from liability for its failure to perform a contractual obligation
- Typically, *force majeure* events include an Act of God or natural disasters, war or war-like situations, labour unrest or strikes, epidemics, etc

WHAT COMPANIES NEED TO DO

Read clauses in contracts carefully: The language used in most contracts varies widely. It is important to review these clauses carefully

Give notice to invoke the provision: Most contracts require notice to the other party to invoke a *force majeure* provision. Some also provide deadlines for making such notice to make the claim effective

Provide burden of proof: The party that relies upon the *force majeure* event generally has the burden of proof

Keep records: Copies of critical correspondence and other communication should be maintained if disputes arise later. It is important to establish that the company has taken steps to mitigate the losses

IF THE CONTRACT DOES NOT HAVE SUCH A CLAUSE

- If the contract does not include a force majeure clause, the affected party could resort to the doctrine of frustration under Section 56 of the Indian Contract Act

Source: *Impact of Covid-19 on India Inc* by Cyril Amarchand Mangaldas

INDIA

FIRST DEATH REPORTED AS CASES RISE TO 74

India reported its first coronavirus death on Thursday as the number of positive cases rose to 74. The health ministry confirmed that a 76-year-old man from Kalaburagi in Karnataka, who died on Tuesday, was infected with coronavirus. Samples of the man, who had recently returned from Saudi Arabia, "has been confirmed for *#COVID19*", Karnataka Health Minister B Sriramulu said. "The necessary contact tracing, isolation and other measures as per protocol are being carried out," he said.

Fourteen fresh cases have been reported from several states, including nine from Maharashtra, the health ministry said. Asking people not to panic, the health ministry said no community transmission of the virus had been observed and there have only been cases of local transmission.

The total number of 74 patients in India includes 16 Italians and one Canadian. The figure is inclusive of three patients from Kerala who were discharged last month following recovery. PTI

IN OTHER NEWS

- Delhi shuts schools, colleges where exams are over
- Delhi University suspends classes, postpones internal exams till March 31
- Delhi also shuts cinema halls till March 31
- *Sooryavanshi* indefinitely postponed
- A central helpline — 011-23978046 — has been set up
- Uttarakhand, Manipur, and Chhattisgarh close schools till March 31
- Defence ministry has set up seven more quarantine facilities at Jaisalmer, Suratgadh, Jhansi, Jodhpur, Deolali, Kolkata, and Chennai
- Kerala Assembly adopts resolution against Centre's circular banning Indians from returning from affected nations
- Air India cancels all flights to Kuwait, curtails services to France, Spain, Italy

GLOBAL

The virus has claimed at least 4,600 lives globally and affected more than 125,000

Brazilian who met Trump tests positive

Brazilian President Jair Bolsonaro's communications chief Fabio Wajngarten, who met Donald Trump last weekend at his Florida resort, has tested positive for the coronavirus, the government said on Thursday.

Tom Hanks, wife Rita Wilson test positive

Hollywood star Tom Hanks has revealed that he and wife Rita Wilson have tested positive for coronavirus. The actor couple was in Australia to shoot for Baz Luhrmann's untitled Elvis Presley film.

Canada's Trudeau opts to self-isolate due to wife's illness

Canadian Prime Minister Justin Trudeau is in self-isolation and working from home, while his wife awaits the results of a COVID-19 test.

- Israel scientists likely to announce that they have developed vaccine
- Trump stops Europe flights, China says COVID-19 outbreak could end by June
- Virus-hit Iran asks International Monetary Fund for its first loan since 1962
- ECB fires off stimulus to counter virus 'major shock'
- New York Fed to offer $1.5 trillion in cash
- Spanish football league, La Liga, suspends fixtures for at least two weeks, Real Madrid put in quarantine

Exporters seek duty reduction, logistics support from Centre

DILASHA SETH
New Delhi, 12 March

Industry and exporters bodies on Thursday sought logistics support and duty reduction from the government to withstand the onslaught of the coronavirus outbreak (COVID-19).

At a meeting called by the commerce department, they said products that rely on imports have been affected by the outbreak.

Meanwhile, the Department of Financial Services (DFS) has asked the Insurance Regulatory and Development Authority of India (Irdai) to review existing insurance products to ensure risk cover against loss because of abnormal delay in delivery of shipments. Irdai has also been asked to modify the terms and conditions of such policies, if necessary.

Ravi Sehgal, chairman of Engineering Export Promotion Council, said there were about 30-40 per cent engineering products that were seeing increase in exports, but there were others that had imported components, and these were affected. Shipments to Iran, Italy or Southeast Asia were impacted, he said.

Sources said that for auto parts, ships were taking too long and this was affecting the production cycle, and the industry would have to spend more on air freight. "We have sought 5 per cent duty reduction to offset part of air freight cost. As for electronics, the stock will be depleted by April and a plan needs to be drawn up now," one of those who attended the meeting, chaired by Minister of State for Commerce and Industry Som Prakash, said.

Sources said some firms had imported plant and machinery but could install these because of a lack of professionals thanks to travel restrictions. "Once it resumes, we request faster clearance for these professionals," one person said.

Meanwhile, DFS advised all public sector undertakings to set up special cells to provide full assistance to industry segments and micro, small and medium enterprises and process their requests with sensitivity. Banks were also requested to provide support to units that were identifying opportunities for import substitution.

CORONAVIRUS PANDEMIC

Outbreak a mixed bag for exporters

Garment sector receives fresh orders; pharma and diamonds see a dip

BS REPORTERS
Mumbai/Chennai, 12 March

India's exporters have had mixed experiences with their global clients after the outbreak of COVID-19 — some sectors have seen a major decline in trade, while others are seeing clients queue up, looking for alternative sources to reduce their dependence on China.

Sample this: Exports of cut and polished diamonds fell about 41 per cent in February to $1.38 billion, one of the sharpest monthly falls in a decade. To be sure, the sector has been witnessing a slowdown for a while — in the 11 months of this fiscal, exports are down 19.38 per cent to $17.7 billion. Overall, the gross exports of gems and jewellery was down 20.6 per cent to $2.9 billion in February.

However, COVID-19 hasn't helped. For instance, a major annual industry event that was scheduled to be held in Hong Kong last month was postponed, hitting India's gems and jewellery exporters hard. Subodh Rai, Senior Director, CRISIL Ratings said that, "business side pressures are expected to continue for 2-3 quarters, also because of worsening impact of COVID-19 in the US and Europe, which are the other critical export markets. The liquidity profile of companies are somewhat constrained. However, we are yet to observe any major payment delays." In this instance, the global slowdown has compounded existing domestic issues (like difficulty in securing bank finance).

Cyril Amarchand Mangaldas said in a report that the anticipation of an economic slowdown had already led several US-based businesses to pull back from agreements for fear of non-performance, leading to a fall in the overall volume of business activity in February to the lowest in the past six years.

Although a slowdown in raw material supply could hurt certain China-dependent industries, it also presents Indian firms with the opportunity of filling the void. The Ministry of Commerce and Industry has drawn up a list of 500 items that Indian firms could provide replacements for. Garment exporters, for example, have benefitted from the outbreak. Large garment exporters are receiving orders from new customers in western markets, who were traditionally sourcing from China.

Sivaramakrishnan Ganapathi, managing director of India's largest apparel exporter, Gokaldas Exports, said, "We have started seeing new orders in small quantities in relation to the size of business. End users in western countries are worried and if the disruption continues beyond April, future demand from China may slow down."

T Rajkumar, chairman, Confederation of Indian Textile Industry, estimated that exports of finished textile goods, clothing and fabrics could grow 20-30 per cent.

Buyers from Europe and the US generally travel to China in January to negotiate with exporters for the next season. However, most buyers are looking for alternatives now. Ready-made garments exports grew to $1.45 billion (around ₹10,347.66 crore) in January, from $1.41 billion in December 2019.

Auto exports have remained stable. This is because one of India's largest export destinations for automotive products, Africa, remains relatively unaffected. R S Sharma, executive director at Bajaj Auto, said: "Most certainly the level of economic activity will decline."

The only relief as of now, Sharma said, is that Africa, the company's biggest market hasn't been affected by the outbreak. One in every two motorcycles exported by Bajaj goes to Africa. In the past three months, Bajaj has sold more motorcycles in the exports market than domestically, with exports growing an average of 15 per cent.

Meanwhile, the pharmaceuticals sector has been hit partially. The Centre placed curbs on export of 13 key active pharmaceutical ingredients (APIs) and formulations. An exporter and senior office-bearer of an industry lobby group said that exports in March would see a 5-6 per cent dip because of the curbs. "We are trying to reason with the government on relaxing or lifting the curbs on exports. Already buyers in Europe and the US are worried about further curbs being imposed by India," he said. He said drugs that are for export markets are different from those made for the domestic market. And the curbs would not help with domestic availability.

"Supplies have started coming from China. About 50 per cent of regular supplies are coming in now. Moreover, there is enough stock for key medicines like paracetamol in India," said an exporter.

(With inputs from Rajesh Bhayani, Shally Seth Mohile, T E Narasimhan, Sohini Das)

Beware of competence without humanity or humility

A cardinal principle in succession planning by boards is to scrutinise the "wake" of a candidate and not rely only on performance metrics

THE WISE LEADER

R GOPALAKRISHNAN

Alibaba founder, Jack Ma, recently said education should develop "wise" people instead of "bright and intelligent" people — the latter can get replaced by AI and machines. Wisdom comes from experience and is learnt by the heart; wisdom is imprinted in the right brain unlike intelligence, which is a left-brain imprint. In my *The Wise Leader* column on February 14, I had commented on the directorial responsibility to select the right CEO and facilitate leadership transitions.

This article concerns a paradox: How CEOs tend to get judged versus how they ought to be judged. Of course, a CEO should be evaluated for impact on company performance; but these metrics are commonly calculated for the CEO's precise tenure, and this has an inbuilt flaw. For a period, maybe two/three years after taking charge, a CEO's performance is influenced by the organisational momentum that the CEO inherited. Likewise, after departure, the CEO's successor inherits an organisational momentum. This momentum may be positive or negative. Hence, reading performance numbers for the CEO's precise tenure gives an imprecise picture of the CEO's impact.

The impact of the CEO on people and relationships is extremely important. This is difficult to measure and is admittedly subjective. Academics call the "ways of knowing" as epistemology and directors need epistemological information on the CEO's people impact. Directors should not fall into the trap described by Daniel Kahneman as WYSIATI — what you see is all there is.

Has the CEO's impact on people been effective and motivating or has it been fractious and turbulent? Recall superlative institutional leaders. How affectionately people regard JRD Tata well after he departed from Air India or Tata. How warmly people regard Vikram Sarabhai at Atomic Energy Commission, Ravi Mathai at IIMA or R K Talwar at SBI. Keshub Mahindra of M&M commands respect and love. In contrast, think of Vijay Mallya or the Ranbaxy Singh brothers.

Some years ago, in a discussion with a naval officer, I asked how to judge the quality of a ship, apart from the technical specifications. His reply was that an observer should note the "wake" of the boat. I learned that wake is a boating term connected with the trail of disturbed water that is left after the boat has moved. Some years later, I came across the writing of coach Henry Cloud, who compared a leader's impact on people to the wake of a boat. Leadership wake is like a boat that ploughs through the water. Some leave a smooth and symmetric pattern while others drench people and capsise other boats in seeming disregard of their impact. An effective leader should leave a wake, which people recall with professional respect, while enhancing human dignity and emotion.

HUL chairmen, who changed every decade, mostly left a positive wake; many got promoted into the parent board. Likewise with leadership transitions in Tata Consultancy Services, Titan Industries, Asian Paints and Pidilite Industries.

Long-tenure CEOs are vulnerable to behaving like god; they are so treated by those around. Intensive and in-your-face media reportage often works against quiet and efficient succession. Without doubt, it is negative for sycophants and media to gush that a leader is difficult to replace. My former boss used to say, walk around a graveyard and you will find many who thought they were irreplaceable. In recent years, certain high-profile CEOs were lauded and feted as superlative, but the wake that they left behind is now visible to all.

This happens globally as well. The legendary Jack Welch was a huge evangelist for performance and meritocracy. Yet, his tenure is a subject of contemporary commentary, long after his tenure. It is unfair to comment after two decades, but who can stop commentators? In contrast, the iconic Walt Disney Company was led by chairman Michael Eisner from 1984 until 2005. When Eisner retired in 2005, his successor, Bob Iger, successfully steered Disney into a hugely valuable and successful company.

In short, a cardinal principle in succession planning by boards is to scrutinise the past wake of the proposed candidate with greater rigour than only rely on performance metrics. Beware of competence without humanity or humility. Did the candidate deliver performance and earn people's respect without trampling all over? Directors can make serious enquiries and reflect on the admittedly subjective data.

The author is a corporate advisor and distinguished professor of IIT Kharagpur. He was director of Tata Sons and vice-chairman of Hindustan Unilever
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Fair competition in pipeline

The end of exclusivity periods for city gas distributors is raising fresh issues of access and deregulation

JYOTI MUKUL

The chequered history of disputes between the Petroleum and Natural Gas Regulatory Board (PNGRB) and government and private players in the city gas distribution (CGD) business may be a thing of past, but Indraprastha Gas Ltd (IGL), Mahanagar Gas Ltd (MGL), Gujarat Gas and, to some extent, the Adanis are facing the regulatory heat again. And, yet again, the issue of ending the exclusivity period for these operators is a reason for unease. The only difference is that this time, both the regulator and the gas companies are better placed to deal with the issue.

Under the Petroleum and Natural Gas Regulatory Board Act, 2006, CGD and natural gas pipelines are to be operated under a "common carrier" principle to encourage more players to promote competition and better prices. To provide a level-playing field, the gas infrastructure has to be shared among all operators after the end of the exclusivity period. Government intervention, however, ensured that IGL, MGL and Gujarat Gas, which were already operating in Delhi, Mumbai and Gujarat respectively, were not at disadvantage. The regulations were, therefore, amended in 2010 to allow three-year exclusivity from the date of issue of the letter by the board, if the entity had been operating the CGD network for three years or more, and five years from the date of issue of the letter, if the entity had been operating for less than three years. The Act, thus, provided exclusivity of five years to new players and three years to those operating before the law was notified.

TAKE TWO
ANALYSIS BEHIND THE HEADLINES

Even then a problem arose. As far as IGL — a joint venture of GAIL (India), Bharat Petroleum Corporation (BPCL) and the Delhi government — is concerned, it took over the city's gas business in 1999 from GAIL, but it received a formal authorisation from the government in 2009. It implies that the IGL's exclusivity ended in 2012. But this became a matter of dispute, because the company contended that the exclusivity period should be counted from July 15, 2010, when Section 16 of the PNGRB Act, granting powers to the regulator, was notified and not from 2009. Besides, the IGL argued that the PNGRB is authorised to declare a CGD network in a geographical area as a common carrier or contract carrier after following due procedure under section 20, which has not been followed.

The dispute has been pending in the Delhi High Court since 2015. The PNGRB, however, started a consultation process for declaring the city or local natural gas distribution networks as common carriers or contract carriers only in 2019.

In the meantime, city monopolies became a far wider issue. There are almost a dozen players in the CGD business, such as Sabarmati Gas Ltd, Bhagayanagar Gas Ltd and Avantika Gas, which have licences (within geographical areas) in over 20 states. The exclusivity period varies from three, five and eight years extendable by 10 years, depending on when the rights were given.

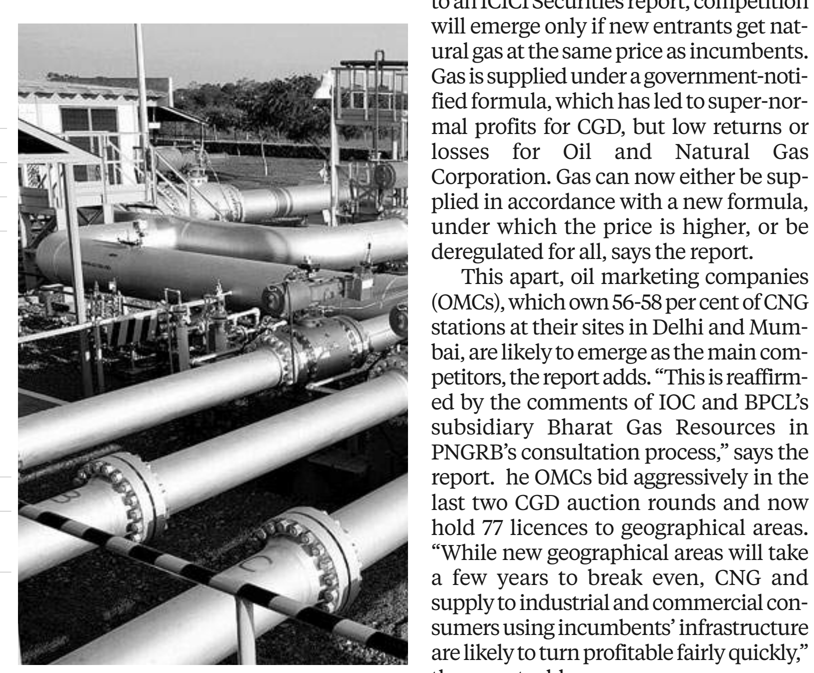
ALL GAS
END OF EXCLUSIVE RIGHTS TO SELL

- IGL in Delhi
- MGL in Mumbai, Thane
- MGL in Raigad (2020)
- Gujarat Gas in eight areas
- Gujarat Gas in four more areas (2020)

WHAT PNGRB DRAFT RULES SAY
New entrants can:

- Use up to 20% of incumbent's pipeline capacity
- Set up CNG stations
- Sell CNG, residential PNG and gas to industrial and commercial customers
- Pay tariff either on cost-plus or bid basis

Source: ICICI Securities



The PNGRB is now taking careful steps to draft regulations on how to end the exclusivity and the subsequent issues of tariff and sharing of the existing infrastructure. Since the issue has been pending for over a decade for the IGL and Gujarat Gas, they have diversified their areas in other cities. The MGL, however, has been conservative and not ventured much out of the Mumbai region, primarily because of promoter disinterest. Copromoter British Gas, which was taken over by Shell, had decided to exit the CGD businesses in Gujarat in 2013 and later in Mumbai. The other promoters, GAIL and the Maharashtra government, have floated separate companies, GAIL Gas and Maharashtra Natural Gas Ltd, for the CGD business. GAIL is also in the CGD business under the parent company.

Gujarat Gas has already seen its exclusivity end in Morbi. It now has GAIL as a competitor there, but with a large industrial consumer base, the city could offer enough business to both the players.

Analysts say once the exclusivity ends, fair competition will begin, only if it is accompanied by deregulation. According to an ICICI Securities report, competition will emerge only if new entrants get natural gas at the same price as incumbents. Gas is supplied under a government-notified formula, which has led to super-normal profits for CGD, but low returns or losses for Oil and Natural Gas Corporation. Gas can now either be supplied in accordance with a new formula, under which the price is higher, or be deregulated for all, says the report.

This apart, oil marketing companies (OMCs), which own 56-58 per cent of CNG stations at their sites in Delhi and Mumbai, are likely to emerge as the main competitors, the report adds. "This is reaffirmed by the comments of IOC and BPCL's subsidiary Bharat Gas Resources in PNGRB's consultation process," says the report. he OMCs bid aggressively in the last two CGD auction rounds and now hold 77 licences to geographical areas. "While new geographical areas will take a few years to break even, CNG and supply to industrial and commercial consumers using incumbents' infrastructure are likely to turn profitable fairly quickly," the report adds.

Opening mature and large markets to competition could, however, create another issue for natural gas planners. The focus of new entrants could shift to those markets where both infrastructure and large customer bases exist. New players could find these markets more lucrative even though they are committed to invest ₹1.2 trillion and are bound by contractual terms to begin commercial operations in other cities. This could mean that the expansion of natural gas infrastructure to other cities could slow down and future bidding rounds may suffer.

CHINESE WHISPERS

Another blow to Congress

The Rashtriya Janata Dal (RJD) on Thursday announced its candidates for two Rajya Sabha seats in Bihar, making clear the growing tension between it and the Congress, which is its ally and has been demanding one of the seats. Its candidates for two of the five seats, that will fall vacant, are Prem Chand Gupta and Amarendra Dhari Singh. Gupta is a close aide of RJD supremo Lalu Prasad Yadav and currently a member of the Upper House of Parliament from neighbouring Jharkhand. His term expires next month. He had served as a Cabinet minister in the UPA government of 2004-09. For his part, Singh is a well-known entrepreneur based in Patna and his surprise candidature is being seen by many as an attempt by the RJD to win over the upper castes ahead of the Bihar Assembly polls due later this year.

Transfer industry

Amid the political crisis in Madhya Pradesh, the Congress-led government has transferred some key IAS officers who were posted in areas where Jyotiraditya Scindia, who has moved to the BJP, has influence. Guna Collector Bhaskar Lakshkar and his Gwalior counterpart Anurag Choudhary have been transferred as deputy secretary in different departments. Vidisha Collector Kaushlendra Vikram Singh has been transferred to Gwalior. S Vishwnathan has been appointed the Guna Collector. The order on these transfers says these are temporary and "till further orders only". Scindia might have had an inkling of this. A few hours before these transfers were announced, he had said, "Transfer is an industry in Madhya Pradesh."

Azad's army

Bhim Army chief Chandrashekhar Azad (*pictured*) is expected to unveil his political party during an event in Delhi on Sunday, the birth anniversary of the Bahujan Samaj Party (BSP) founder, Kanshi Ram. Among the names shortlisted for the political outfit are Azad Samaj Party, Azad Bahujan Party, and Bahujan Awam Party. The name will be finalised after the Election Commission gives its approval, said party sources. The party is also expected to release its manifesto and launch a membership drive on Sunday. Besides, the Bhim Army has launched a students' wing — Bhim Army Students' Federation. After the new political party is launched, the Bhim Army will work as a social and cultural organisation, sources said. Significantly, BSP leader Mayawati is said to be keeping a close watch on the activities of Azad.

INSIGHT

Coronavirus and the Mandate of Heaven

Should not civilised societies prioritise human security which includes — but is not limited to — national security?

RAVI BHOOTHALINGAM

The Mandate of Heaven is an ancient Chinese philosophical doctrine evolved during the Zhou dynasty in the first millennium BCE, to confer on an emperor the legitimacy to rule over his people. The popular theory runs thus: 'Heaven' — the natural order in the universe — wishes harmony on Earth, and seeks to establish this through conferring its 'Mandate' on the Emperor. But conditions apply. The claimant must govern as a just and benign ruler, bringing prosperity to his people. If not, Heaven may withdraw the Mandate, leaving the field open to anyone who could claim that his superior governance would rectify the injustices of the previous regime.

Before withdrawing the Mandate, however, Heaven customarily would convey its displeasure through warning signs like earthquakes, fires or floods, or calamities such as epidemics, riots and rebellions. It was hoped that these events — and the signals they would send to citizens and potential rivals alike — would cause the emperor to reflect and mend his ways — or else...

Of course, even a cursory reading of Chinese history shows that there is no empirical validity in the doctrine of Heaven's Mandate. Bad Emperors have — quite literally — got away with murder or worse, whilst good ones have often suffered. Still, popular beliefs die hard, so the rapid global spread of the coronavirus pandemic would naturally provoke some Chinese citizens to question their government. But the Mandate of Heaven speaks of the universal nature of governance, so every citizen of the world should pose such questions to their own government. As a global threat, Covid-19 raises questions at five levels.

First, early detection and isolation of the infected persons was obviously the first requirement. Here, the evidence at hand points to prevarication by the Hubei provincial authorities in accepting that a novel virus was afoot. Despite a brave whistle-blowing doctor, timid local officials were unwilling to rock the boat, and we will never know the true cost of this initial blunder. But now, when the virus is loose, we should ask ourselves whether our own disease surveillance systems and field forces are alert, robust and capable of detecting and reporting uncomfortable facts.

Second comes containment. China has done a magnificent job in containing much of the viral ferocity by sealing off Hubei province through unprecedented measures. Their "whole-of-government approach" implements policy directives consistently, starting from the party apex right down to local neighbourhood committees. Supplying Wuhan — a city of more than 11 million people under lock-down — with essentials and maintaining civic calm in an environment of great stress, shows remarkable administrative efficiency. China may spin this as an example of how "socialism with Chinese characteristics" can deliver the goods. But we need not buy that narrative. After all, India's administration too has unparalleled achievements like the management of the mammoth Kumbh Melas. The real questions are: Do we have rehearsed protocols and drills to roll out a commensurate response if and when the virus strikes India in force, and have we used this respite to equip our hospitals appropriately?

Third, a country's public health system is the front line of its response to the virus. India's is not in particularly good shape, so this time round, we will have to muddle through as best we can. But given the increased frequency of novel diseases with epidemic potential — SARS, MERS, Ebola, H1N1, H5N1, Zika and Nipah being examples in the last 20 years — we should expect more such episodes in the future. More importantly, a comprehensive public health system is essential if India is to increase its human productivity rapidly enough to move our country into a high-income status. Do our Budgets and plans provide convincing evidence that establishing such an accessible and universal public health system is indeed a principal aim of our government?

This brings us to the fourth (and broader) question which is about the risk management strategies to be followed by any civilised society. Should not such societies prioritise human security which includes — but is not limited to — national security? Whilst the latter secures us against external aggression or terrorism, the former seeks to reduce risk through a sustainable level of prosperity, health, education and quality of life of its citizens. National security risks are upfront and dramatic, so they command public attention and demand resolution. Human security risks are more debatable and the negative consequences take time to play out. Thus, epidemics do not happen every day; and climate change is seen as happening only in the distant future. This makes effective political mobilisation around climate change a tricky issue around the world, as Greta Thunberg has forcefully pointed out. Simply put, how do we play the guns or butter dilemma?

Fifth, as the coronavirus spreads into a community infection (as the US Centres for Disease Control and Prevention warns is likely), a crucial success factor will be the cooperation of the general population in following sound public health practices like maintaining good hygiene, not hoarding masks, avoiding panic and not crowding hospitals with mild infections. India lacks China's culture of collective discipline, so what will provide the glue for people to cooperate rather than follow their raw survival instincts? It can only be a spirit of fraternity amongst all our people — regardless of caste or creed — and a common belief that only through a unified front can the threat be overcome. Sadly, the spirit of fraternity — the least discussed of the trinity of the French Revolution (liberty, equality, fraternity) — is in retreat around the world as attitudes are sharply polarised within and between countries as well as peoples. Is it too much to ask India to set an example?

Experts tell us that the coronavirus will ultimately settle as an endemic, but seasonal infection. But how we — as a country and as part of the planet — emerge out of it will depend on the answers to these questions.

The author is treasurer and honorary fellow, Institute of Chinese Studies, and an independent director on corporate boards

LETTERS

Pathetic indifference

Apropos your editorial "Grand old implosion" (March 12), whether Jyotiraditya Scindia's resignation from the Congress was a principled stand or not, it is certainly a wake-up call for the party. After its rout in the Lok Sabha elections of 2019, followed by the resignation of its president, Rahul Gandhi — owning moral responsibility — one expected the party to reinvent itself by inducting young, untainted faces in leadership positions. But what one witnessed was the familiar sight of seniors, long used to enjoying power, going back to Sonia Gandhi and beseeching her to accept the party's interim presidentship, though its constitution does not allow for such a post. The servility of the party seniors to one family is pathetic.

The present day Indian voters are mature enough to differentiate between national- and state-level elections and vote according to issues and performances. They have provided a number of opportunities to the Congress by voting it to power in many states, even after defeating them in the national elections. But unless the party gives up its obsession and cuts its umbilical cord from the one family, the prospect of "Congress-*mukt* Bharat", which is a cherished goal of the ruling Bharatiya Janata Party, may well become a sad reality.

V Jayaraman Chennai

Massive blow

At a time when the grand old party has seen major electoral defeats, including Lok Sabha elections last year, and the revival of its electoral fortunes remains a distant dream, former Congress leader Jyotiraditya Scindia joining the Bharatiya Janata Party (BJP) is a major blow to the Congress. It not only lost a mass leader but also its credibility as a democratic party that respects dissenting voices within its ranks. On the other hand, Scindia's defection to the BJP camp exposes the obvious that those who dissent keep their personal interests above everything else.

R Prabhu Raj Bengaluru

Change to survive

Apropos the editorial "Question marks remain over YES Bank rescue" by T T Ram Mohan (March 12), it is probably time the regulator reviews its licensing guidelines and the concept of having individual promoters for setting up banks. Many new-generation banks in the private sector with one promoter have failed. As long as the promoters have the freedom to choose and pick directors, banks will not be safe. Directors should be chosen like the way regulators approve the choice of CEOs and statutory auditors under the joint purview of the Sebi and the RBI. Resignation or sacking of a director should ring warning bells requiring special audits. As regards the rescue of YES Bank, the chairman of SBI has gone on record describing the act as a joint venture of the government of India, the RBI and the SBI.

Ganga Narayan Rath Hyderabad

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HAMBONE

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Coping with coronavirus

Sensible responses require addressing known unknowns

The government's swift and sensible response to the coronavirus outbreak, which the World Health Organization has finally designated a pandemic, offers some reassurance that India may escape the more deleterious impact that has afflicted the rest of the world. The government has issued a blanket ban on tourist visas from all countries and halted visa-free entry for Overseas Citizens of India till April 15. It has also asked all states and Union Territories to invoke the provisions of the Epidemic Diseases Act. This legislation of 1897 enables the states to take temporary measures (including suspending existing laws) to prevent the outbreak or spread of a disease. The Act also allows the Centre to prescribe measures for inspecting any ship at port. Given the vintage of this law (123 years), it would be useful if it were amended soon to extend these powers to aircraft as well. The health checks instituted at airports and the regular public interest messaging on television and via mobile also show that the government has been reasonably pro-active in containing the panic. The uncertainty over the Indian Premier league should also end soon. The options are clear — either it should take place behind closed doors, or be scrapped.

The bigger challenges, however, lie in the known unknowns. Chief among them is the ambit of the disease and information about it. From just three reported cases a month and a half ago, the number has climbed to 73, though Italian tourists have bulked up those numbers. But information flows remain opaque: Confirmation of whether a man in Leh has died of coronavirus or some other disease is yet to come. Besides, given India's default condition — the high level of poor hygiene in public spaces and low levels of awareness in congested slums and urban agglomerations — it is unclear how far the epidemic can be contained. "Social distancing" and frequent hand-washing, the two chief preventive measures in vogue, will be difficult to enforce, especially among the marginally educated and the poor. For instance, though air travel may drop sharply and affluent urban Indians may be able to work from home, teeming millions of daily wagers will wilfully risk infection by travelling in jam-packed modes of public transport to earn livelihoods already affected by the economic slowdown. Since the symptoms of coronavirus are flu-like, it is uncertain how far those infected by it recognise them as such. Beyond that is the question of whether the public health system is up to the challenge in a country where access to even rudimentary health care and hospital beds is dismal. All of 52 testing sites across the country appear inadequate. Uttar Pradesh, the centre of tourist-heavy destinations, has just three testing sites.

And finally, there is the economic cost of the virus. The slowdown in global trade and the sharp dip in demand for employment-heavy discretionary services are likely to compound India's faltering growth, which slumping oil prices will only partially mitigate. India's heavy China dependence on a host of critical intermediates will also create new bottlenecks. The concern is reflected in the mayhem in the stock markets over the past few days. In that sense, the crisis could well provide the government with a unique opportunity to push through the tougher but much-needed economic reforms that could help India to be back on the growth trajectory.

Writing down bonds

Fund managers should not have ignored AT-1 bond risks

Asset management companies holding additional tier-I (AT-1) bonds of YES Bank are reportedly negotiating a deal to avoid a 100 per cent haircut by converting their holding into equity. According to the Reserve Bank of India's (RBI's) draft reconstruction plan for YES Bank, the AT-1 capital instruments under the Basel III framework are to be fully written down. The asset managers first decided to approach the Bombay High Court but are now seeking to minimise the damage. Meanwhile, Larsen & Toubro, which has exposure to YES Bank's AT-1 bonds, has approached the court.

The reason why the asset managers are now seeking to convert their bondholding into equity is understandable. They are unlikely to get any relief from a court of law and what the RBI has proposed in its draft reconstruction scheme is perfectly in line with rules. An instrument like AT-1 bonds was created to absorb losses. The implementation of Basel III capital regulations in India clearly states: "If the relevant authorities decide to reconstitute a bank ... write-down of AT-1 instruments will be activated. Accordingly, the AT-1 instruments will be fully converted/written down permanently before amalgamation/reconstitution in accordance with these rules." It further notes: "... Write-down of any common Equity Tier 1 capital shall not be required before a write-down of any AT-1 capital instrument." It is hard to argue that professional asset managers were not aware of the risks. In fact, AT-1 bonds offer higher yields, which clearly reflects the associated risks. But the fund managers seem to have focused only on the upside in terms of higher returns and ignored the risks.

Further, it is being argued that writing down bonds will make it difficult for banks to raise capital. Yields on AT-1 bonds have gone up in recent days and IndusInd Bank had to shelve its bond issue. However, on the positive side, this will lead to better pricing of risk and attract investors with a comparatively high risk appetite. This will also attach more importance to bank balance sheets. If asset managers in mutual funds or pension funds want to take advantage of higher yields, they would do well to properly evaluate the associated risks and convey the findings to the end investor. Bondholders have invested nearly ₹94,000 crore in AT-1 bonds issued by Indian banks, and in some of the mutual funds, the exposure levels are at 20-30 per cent of the assets of individual schemes. The Securities and Exchange Board of India should look into such excesses. On its part, the RBI should not change its stance, as it will not only create confusion but also raise questions about its ability to handle the situation. Changing the plan significantly could make things more difficult, both for the regulator and State Bank of India.

On a broader level, the YES Bank crisis could affect confidence in private-sector banks and increase the cost of capital. Since the bulk of the incremental credit in recent times originated in private-sector banks, slower expansion in their balance sheets could affect the flow of credit to the productive sectors of the economy. The damage can perhaps only be minimised by a swift resolution of the YES Bank crisis.

ILLUSTRATION: AJAY MOHANTY

Galvanising aerospace

Infrastructure, skilling, access to funds — these fundamentals need to be fixed first for India to achieve its aerospace targets

BROADSWORD

AJAI SHUKLA

Addressing an industry gathering in New Delhi last Saturday, Defence Minister Rajnath Singh recited a series of targets from the Defence Production Policy of 2018. He urged the private sector to boost annual defence production to $26 billion by 2025, which would allow overall manufacturing to rise to $1 trillion that year and facilitate the government's vision of making India a $5 trillion economy by 2024. Mr Singh also laid down an ambitious new target, stating that the government aimed to double the size of the aeronautics industry from ₹30,000 crore to ₹60,000 crore by 2024, through measures such as encouraging the global aerospace industry to source aero components from India. Describing micro, small and medium enterprises (MSMEs) as "silent performers," the defence minister stated that efforts were being made to double their numbers in aerospace and defence (A&D) from 8,000 to 16,000.

First, some context. Of the current annual aerospace production of ₹30,000 crore that Mr Singh cited, just one behemoth — Hindustan Aeronautics Ltd (HAL) — accounts for over ₹20,000 crore. The remaining one-third consists of offset related production by biggies like the Tata and Mahindra groups, and the export related production of aerospace components by a host of MSMEs, which have, by dint of meeting demanding international benchmarks of high-quality production and on-time delivery, embedded themselves into the global supply chains of industry leaders such as Boeing, Airbus, Lockheed Martin, Bell Helicopters and others.

There are structural and functional limitations to how much HAL can realistically expand production, given that it is genetically a builder of aircraft — both foreign and indigenous — for the Indian military. Defence capital allocations are growing in single digits and, therefore, it should be no surprise that HAL's turnover is also growing in the mid-single digits: 7.8 per cent in 2018-19 and barely 4 per cent this year. Further tempering expectations from HAL should be recognition of the fact that its Sukhoi-30MKI production line in Nashik, for long the company's cash cow, will come next year to the end of its order of 222 fighters. It was hoped that Sukhoi-30 production would be followed by an order for building 126 medium multi-role combat aircraft (MMRCA). Instead, New Delhi bought 36 Rafale fighters that will be fully built in France. Nor is there any sign of life in the Indian Air Force (IAF) procurement of 114 medium fighters or the navy's acquisition of 57 carrier deck based fighters. All recent aircraft inducted — such as the C-130 Super Hercules and C-17 transporters, Boeing P-8I Poseidon maritime aircraft, or Apache, Chinook and MH-60R helicopters — have been procured in flyaway condition from America, notwithstanding the rhetoric of co-development and co-production between these "comprehensive global strategic partners." Nor have any production orders emerged out of the defence ministry's endless rhetoric about the military's need for more unmanned aerial vehicles. HAL, therefore, can take solace only from likely orders for the Tejas fighter and the production of a large numbers of helicopters: The Russian Kamov-226T, the indigenous Dhruv and Rudra choppers that are already in service, and the Light Combat Helicopter and Light Utility Helicopter that are both on the cusp of operational clearance. In the circumstances, HAL will require unstinting support to grow at anything more than the low single digits in the coming years.

Therefore, meeting the aerospace production target of ₹60,000 crore would have to come through MSMEs that are manufacturing for the global supply chains of the large "original equipment manufacturers" (OEMs). To support these firms and enable their growth, the government — across key ministries — must keep a few things in mind.

First, it must recognise that our firms competing for global orders are up against rivals that are being supported by their home governments with tax and export incentives and infrastructure that almost invariably surpasses India's. Our government must provide its aerospace firms with a level playing field, if not a competitive advantage. The greatest deterrent to growth our companies face is the high cost of capital and lack of access to funds. In several cases, Indian MSMEs have had to turn down offers to build components and assemblies for global OEM supply chains simply because the cost of capital to create the shop floor and train the personnel was too high. This resulted in a loss of business and a missed opportunity for creating jobs and skills. To overcome this, the government could create a sector specific "A&D Fund" to provide low cost capital quickly to enable our MSMEs to grab fleeting business opportunities.

If the government is serious about doubling aerospace manufacture, it must include MSMEs in business delegations that senior ministers take abroad. These MSMEs must be introduced to overseas OEMs, with the tacit assurance that New Delhi backs its companies. Simultaneously, the government must incentivise global OEMs with tax incentives for working with Indian MSMEs. It would be worth considering whether to change the criteria for defining an MSME; instead of ₹10 crore worth in plant and machinery, an MSME should be defined in terms of annual revenue, with an upper limit of ₹500 crore.

Second, the government must transform the "people landscape" by shifting the skilling emphasis from quantity (numbers put through training) to quality (ability imparted). For this, the All India Council for Technical Education must allow industry participation in creating pedagogy, curriculum and training infrastructure in consonance with industry needs. Already, several companies run their own training curricula; the government must recognise these programmes as valid academic qualifications for career advancement. Additionally, the government must evangelise the creation of intellectual property (IP), patents and inventions, for which it must create a legal IP protection system on a par with global standards. Also, global OEMs must be encouraged to invest in the A&D learning space, with offset credits granted for investments in A&D learning in proportion to the number of workers the OEM hires from its own programmes.

Third, as exemplified dramatically by the ongoing coronavirus pandemic, a safe and conducive business environment fundamentally shapes outcomes. Even if India successfully navigates the on-going stock market meltdown and mid-term degradation of global supply chains, our international businessmen are facing the consequences of our shift away from liberal democracy. One of our leading A&D entrepreneurs who regularly travels to the US and UK recounts the wariness that now mars casual interactions with the locals. "We always thought you Indians were like us; what's happened to you guys?" he was asked. Such apprehensions are exacerbated by the snubbing of industry leaders like Jeff Bezos, who the government shunned during his recent trip to Delhi, apparently because his newspaper, *The Washington Post*, had criticised the government.

Businessmen do indeed follow the money, but they also like to combine business with pleasure. It is no accident that Seattle — one of America's most liveable cities — is the centre of that country's aerospace industry. Similarly, foreign businessmen are attracted to Bengaluru by that city's easy culture. By that token, there is unlikely to be much international interest in the government's A&D corridor in Uttar Pradesh, which the defence ministry is talking up. Mr Singh's aerospace production targets ignore the limitations that abound: Abysmal infrastructure, negligible law and order, a vicious social environment, lack of skills, poor access to funds and cumbersome compliance requirements. There is an urgent need to set these fundamentals right first.

The ABC of AT-1 bond crisis

SUDARSHAN SEN

The draft reconstruction scheme for YES Bank proposed by the Reserve Bank of India (RBI) seems to have really put the wind up the investors in the additional tier 1 (AT-1) capital bonds issued by the bank. These investors are crying foul, claiming that despite the AT-1 bonds being "senior" to common equity shares, they are being written down, whereas the equity shares are not. Fund house managers are expressing surprise at the RBI's interpretation of the rights of AT-1 bondholders vis a vis equity shareholders. Market gurus are fretting about the impact of such a write-down on investor appetite for such bonds and the banks' ability to viably raise further capital via this route. A national financial daily has gone so far as to say that if large financial institutions fail to honour their commitments, leaving bondholders in the lurch, the creditworthiness of the country itself might take a knock. Overall, there seems to be more drama than light in this debate, and it's time to place the facts, and their implications, in perspective.

Firstly, AT-1 bonds, by their very design, have an in-built provision for being "bailed in"— that is, their principal amount can be fully or partially written down upon the occurrence of specified pre-defined events, even while the issuing bank continues to function as a going concern. This is the case in respect of the AT-1 bonds issued by YES Bank.

Secondly, while the issued AT-1 bonds have explicit, ex-ante and enforceable write-down provisions, even while the bank continues to function as a going concern, no such provisions apply to common equity shares. This is one of the key characteristics of a bail-in instrument that distinguishes it from common equity.

Thirdly, AT-1 bonds carry a higher rate of return than other debt instruments as their investors agree to accept the additional risk of losing their investment if certain pre-specified events occur, well before explicit losses, if any, are imposed on other categories of investors.

Now what are these pre-specified events? The RBI Basel III regulations state that the AT-1 bonds will be written down or converted to common equity (the terms of the YES Bank AT-1 bonds stipulate a write-down) under two circumstances. The first is when the common equity capital falls below a specified trigger level. The objective of this write-down is to replenish the common equity of the bank, which increases to the extent of the AT1 debt being written down.

The second circumstance under which a write-down would happen is when the RBI determines that the bank has reached a "Point of Non-Viability" (PONV) at which it is either necessary to write down the AT-1 debt or make a public sector injection of capital, or equivalent support, or both, in order to restore the viability of the bank. Pertinently, the RBI regulations make it explicitly clear that the write-off of any common equity capital shall not be required before the write-off of any non-equity (additional tier 1 and tier 2) regulatory capital instrument.

The RBI regulations also make it clear that "if the relevant authorities decide to reconstitute a bank or amalgamate a bank with any other bank under the Section 45 of the Banking Regulation Act, 1949, such a bank will be deemed non-viable or approaching non-viability and both the pre-specified trigger and the trigger at the point of non-viability for conversion / write-down of AT-1 instruments will be activated. Accordingly, the AT-1 instruments will be fully converted/written-down permanently before amalgamation / reconstitution...".

In the light of the above factual situation, of which the institutional investors were, or should have been, fully aware while investing in these AT-1 bonds, it is indeed tragicomic that these so-called savvy investors are now making a brouhaha about the proposed write-down of their AT-1 bond investment. This seems to be nothing but an unethical attempt by these investors to subvert the regulatory process. They entered into this investment fully aware of its risks and, therefore, extracted a higher rate of return when the going was good. Now that the risk has materialised, they want a bail-out. It is hoped that the courts and the regulator will give short shrift to their unreasonable demands.

One aspect that needs the attention of both the RBI and the Securities and Exchange Board of India is that a number of retail lay investors seem to have been sold these AT-1 bonds, either via primary issue or via the secondary market. It is moot whether this category of investors was adequately apprised of the higher risks underlying these bonds, while being enticed by their higher returns. It could well be argued that retail investors should not be eligible to invest in such instruments.

One hopes that, in this case, all stakeholders will "do the right thing".

The writer is a former executive director of RBI

A question of answers

BOOK REVIEW

PRAVEEN CHAKRAVARTY

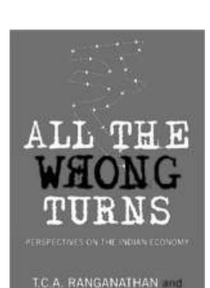
Would India have been a bigger economic power had it adopted different economic policies? Why did India take the wrong road of socialism in the fork of economic policy choices in the 1950s? How is it that when India and China had the same per capita GDP in 1980, China's has now grown to nearly five times larger than India's?

Economists and commentators have agonised over these questions perennially. No cocktail party of India's policy intellectual elite is complete without an animated discussion over these questions. These debates have also produced innumerable opinion articles, research papers and books over many years. But an intellectually honest and analytically rigorous answer to these questions is elusive.

Adding to this long list of analysis of India's economic past is yet another book, eye-catchingly titled *All the Wrong Turns*. The book is much better organised and more focused than others in this genre. It has one chapter each on the most important facets and sectors of India's economy — agriculture, manufacturing, trade, banking, fiscal policy and institutions.

The book is also unique in its emphasis on data. It does yeoman service for policy analysts by providing a neat compendium of important economic data on a temporal scale. The stand-out feature is the sheer volume of important, relevant and interesting data on the Indian economy and its global counterparts over a long period of time. This is a treasure trove for people like me who depend heavily on data for their core work.

I have often thought that there was a book waiting to be written using all the information from erstwhile Planning Commission reports, starting with the First Plan in 1951. This book does that and much more. It draws out interesting factoids using these historical reports, such as the one about how there was actually a decline in the number of private sector companies between 1957 and 1962, almost unheard of in a growing economy. Similarly, with trade and banking, the books traces back to *Arthashastra* and colonial India's trade patterns to etch out a story of its evolution, twists and turns. The chapter on agriculture has many pleasant surprises in its argument about how, contrary to perception, Indian agriculture has progressed remarkably well.



ALL THE WRONG TURNS: Perspectives On The Indian Economy
Author: T C A Ranganathan & T C A Srinivasa Raghavan
Publisher: Tranquebar
Price: ₹799

Much like the cocktail parties, however, the book woefully falls short in its explanations for India's economic underperformance. The authors ask all the right questions — why is there agricultural distress when Indian agriculture has performed reasonably well vis-à-vis international benchmarks, why did Nehru's right idea of industrialisation fail, why is India's banking sector still relatively under-developed when it is more penetrated than its Chinese counterparts and so on. But the answers are not to be found.

The book resorts to the usual lazy explanations such as heavy state intervention, blames the choice of socialism influenced by economist Nicholas Kaldor, casts aspersions on political leaders, their intent and abilities and faults bureaucratic incentives for India's economic underperformance. There have been a plethora of similar books with fancy titles along the lines of "India as a tortoise" to "India's economic tryst" and so on, essentially dishing out the same lethargic explanations of state interventions, labour policies and repressive banking to explain India's below-potential economic performance. All these books compare India's economic data with China's to prove their point about India's underperformance and then cite excessive state intervention as an axiomatic cause, sheepishly ignoring the fact that China's superior performance was driven precisely by the same "heavy state intervention".

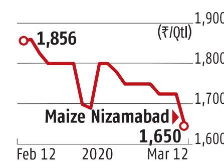
Another favourite whipping boy for India's poor track record in manufacturing is India's rigid labour policy and its restrictions on hire and fire. This ignores the fact that within India, under the same labour policy conditions, states like Tamil Nadu have excelled in manufacturing while other states have been left far behind. Why is rigid labour policy a problem only for Bihar and not Tamil Nadu? In fact, I reckon a deeper study of the variance and diversity of economic performance among the various states of India since independence may throw better light on such studies of India's economic history than mere economic dogmas. There is an interesting chapter that charts out India's fiscal policy evolution through all the Budgets, from the first one in 1947. Since this book is written in today's times, one would have thought the authors would have contextualised their fiscal policy commentary with heterodox theories such as Modern Monetary Theory or the breakdown of the Philips Curve of the bluntness of monetary policy. But there is none of this new analysis and the essay is just another rant against Marx, Keynes and politicians.

Counterfactual analysis is a losing cause to begin with. Would India have been more prosperous had it gone down the road of market capitalism since independence? Would Indian society be as integrated as it is today? One will never know. Overall, the book is a fantastic collection of historical data, statistics and stories. But it is a big let-down if one is searching for new, creative analysis or explanations for India's economic under-performance since Independence.

The reviewer is a political economist and a former scholar in a think tank

Business Standard
The Smart Investor
MUMBAI | FRIDAY, 13 MARCH 2020

QUICK TAKE: WEAK DEMAND TO WEIGH ON MAIZE PRICES



Maize prices have declined by 11 per cent in the past one month due to weak demand from poultry sector on coronavirus fears. With the demand from other consuming sectors such as starch also poor, maize prices are likely to remain subdued in the near term

"We, as a country, can buy long-term call options of crude at $30 & stay hedged. If crude goes up, our options will deliver. If crude goes down, we just lose the premium...Mexico did it!"

AMIT JESWANI
Founder & CIO, stallionasset.com

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

Bears take over, bulls scramble for cover

Cash may become king again

HAMSINI KARTHIK
Mumbai, 12 March


PHOTO: KAMLESH PEDNEKAR

SECTORS HIT BY MARKET FALL

	Close on Mar 12, 20	Change in % over 1-day	Change in % over 52-wk high
S&P BSE Metal	6,612	-9.4	-44.2
S&P BSE Infra	124	-10.3	-43.0
S&P BSE Oil & Gas	10,266	-9.8	-35.6
S&P BSE Auto	13,633	-8.0	-33.2
S&P BSE Realty	1,749	-9.5	-31.8
S&P BSE Bankex	27,598	-9.4	-25.8
S&P BSE Finance	5,372	-9.0	-24.1
S&P BSE FMCG	9,754	-7.0	-21.2
S&P BSE IT	13,119	-8.5	-20.9
S&P BSE Healthcare	12,250	-8.3	-16.5

YTD: year-to-date; compiled by *BS* Research Bureau
Sources: Exchange, Bloomberg

With a single-day loss of over 8 per cent on the BSE Sensex and over 20 per cent meltdown in equities since their January peak of 42,273, it's official that Indian equities entered the bear market on Thursday. The day's market wipeout also takes away gains the Sensex earned over the past two years.

"Volatility will remain very high and in the near-term, investors may opt to increase their cash levels," says Jinesh Gopani, head (equities), Axis Mutual Fund.

While domestic fund managers are expected to take a call on increasing cash allocation from the average 5-6 per cent in coming days, they don't rule out the number touching 8–10 per cent in the near term. Gopani feels the redemption pressure could also be elevated in coming weeks, if equities don't display any signs of bottoming soon.

Calling the bottom is tough

Hit by a twin problem of supply-demand instability due to the outbreak of COVID-19, which has virtually halted global trade, and the consequent reaction of global fund managers pulling money out of risky assets, including emerging market equity investments, Indian equities have seen ₹24,000 crore being pulled out so far in March alone.

Gopani feels this sort of foreign money sell-off could continue for a while. "Money coming into India was through exchange-traded funds, which by nature are lazy money. These investors are pure executors and when they have to pull out of a market, they don't look for technicals or fundamentals. They just exit," he explains.


CORONAVIRUS PANDEMIC

Global macros, including trade being weak for almost a month, also don't give these foreign investors a reason to relook at their redemption stance. "With the pandemic spreading to the US and the UK, trade momentum will take a backseat," said another fund manager.

This could further weaken India Inc's earnings. If markets are to be priced to earnings, at least two quarters of earnings may be under pressure. Worse, the impact on earnings isn't clear yet. So, calling the bottom will be tough.

Switzerland-based UBS sharply downgraded India's growth prospects recently, even as it acknowledged that the country is somewhat distanced from the global supply chain. "In our base case, we expect India's real gross domestic product growth to slip further to 4-4.5 per cent year-on-year (YoY) in the March and June 2020 quarters, from the 4.7 per cent YoY growth in the December 2019 quarter," says Tanvee Gupta Jain, economist, UBS. What does massive foreign money sell-off and lowering of growth prospects mean for Indian investors? They may opt to wait on the sidelines and conserve cash. "We saw this situation in 2008-09's global financial crisis, and history is repeating once again, though at an unprecedented magnitude," says the research head of a foreign brokerage. "We are sounding off our foreign clients to not be lured by cheap valuations in India, as we feel the downside risks haven't faded," he cautions.

Domestic fund managers are also warning their clients to brace for more volatility. "We are advising investors against making lump sum investment, even if they feel the market has corrected a lot," says Gopani.

A research head, whose firm specialises in managing portfolios of high net-worth individuals (HNIs), says very few clients showed interest in bottom-fishing on Thursday's trade. "HNIs want to conserve cash. That may be true for retail investors too," he adds.

The underlying message is that appetite for risk isn't sanguine and cash will be king in days to come.

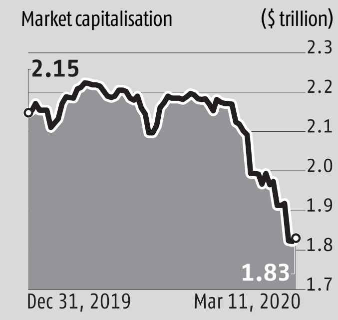
INDIA SLIPS FURTHER FROM $2-TRN TAG

Indian equity markets will have to add more than $300 billion to regain the $2–trillion mark in market capitalisation after Thursday's fall. This comes on the back of dwindling equity markets and a drop in the rupee's value. The Sensex has fallen 20.5 per cent since the beginning of the year. Returns in dollar terms are worse, at –23.7 per cent. Foreign investors who have invested in dollars will be worse off than domestic ones. Individual companies, too, fell below key levels. Both the Indian firms that had an m-cap of over $100 billion have fallen below the triple-figure mark.

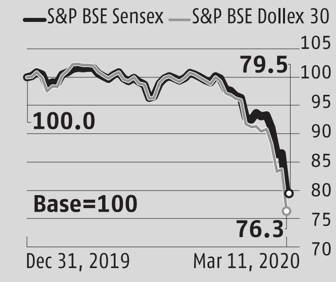
SACHIN P MAMPATTA


PHOTO: PTI

WEALTH EROSION



DOLLAR INVESTORS ARE WORSE-OFF



Note: The base has been taken as 100
Source: Bloomberg

'This isn't a routine correction'

The Indian markets have plunged into bear territory, with the Nifty coming off 22 per cent from its record level in January. **SHANKAR SHARMA**, co-founder and vice-chairman of trading company First Global, tells **Samie Modak** that the scale of economic disruption, happening because of coronavirus, is unprecedented and will impact all. Edited excerpts:

Q&A
SHANKAR SHARMA
Co-founder, First Global

Are you surprised by the extent of correction we have seen?

The benchmark indices touched record highs in January but it was just a handful of stocks that were driving the market. Such a thing can last for some time but when it ends, it ends brutally. There will be some trigger for it to end. Coronavirus has come as a reason for this massive fall. But the situation was problematic even before the spread of the virus. In 2000, only the technology stocks were driving up the market. When they collapsed, it pulled the whole market down. In 2007, financials were running up and they collapsed. This time also, there were only 8-9 stocks that were driving the market.

Should one look to buy now?

I don't think we should be in a hurry to buy. Every significant bear market that has happened in the past two decades has not gotten over in one month. This qualifies as serious bear market. This isn't a routine correction. It is happening globally; it is happening in India. The scale of economic disruption that is happening because of the virus is probably not seen in a long time. So there shouldn't be a rush to go out blindly and become a cowboy. One should let the dust settle, let some positive data points to emerge. It is alright to buy 20 per cent higher rather than buy something that falls 30 per cent in the next few days.

Do you think overleveraged companies will be in more trouble?

Companies that require external capital always run into trouble in situations like this. Leveraged companies fall more than ones with low debt. But the impact of the economy getting disrupted will be felt by everyone. Nobody will be completely insulated. The scale of hurt will depend on your financial structure. It is a significant macro problem, not specific to a company or industry. There will be some people who will survive better but everyone will be hit.

What should the investor buy now?

I think the only thing that is safe right now are government securities.

Is there anything the government can do to revive sentiment?

The government can do a lot of things but the problem is the fiscal situation isn't great. In order to do anything, you need fiscal space. The crash in global oil prices has provided some relief. We will have to wait and see how the government reacts.

Will a rate cut help?

Rate cut take some time. It is a blunt instrument not a sharp instrument. As it is, the recent rate cuts have not translated into economic growth.

VOICES

"Both the real & financial economy are exhibiting acute signs of stress. The proximate causes include spread of coronavirus and oil prices"

DAVID J KOSTIN, chief US equity strategist, Goldman Sachs

"Global risk-off and other domestic economic negatives, such as weak financial system, have been outweighing the positive of crashing oil prices"

PRAKASH SAKPAL, Asia economist, ING Group

"Macroeconomic data in the next month may negatively be impacted by coronavirus. This could lower earnings expectations for MSCI EM"

SURESH TANTIA, senior investment strategist, Credit Suisse

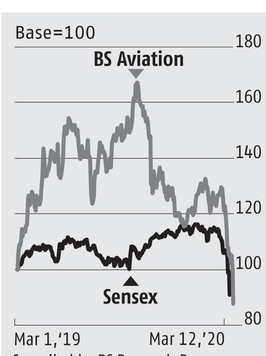
"For medium- to long-term investors, the risk-reward trade-off in equities is much better"

GUILLERMO FELICES, head of research, BNP Paribas London

THE COMPASS

Drop in demand may stall airline revenues in Q4

Sharp fall in crude oil prices, however, is a positive



Compiled by BS Research Bureau

RAM PRASAD SAHU

Travel curbs announced by the government on Wednesday night and advisories asking people to avoid non-essential travel are expected to hit the aviation sector the hardest. Further, a profit warning by sector leader InterGlobe Aviation (IndiGo) further dampened Street sentiment. While the stock of IndiGo fell 11.85 per cent, SpiceJet cracked 19.55 per cent.

IndiGo indicated it had witnessed a 15-20 per cent decline in daily bookings week-over-week. The company also said a sharp depreciation of the rupee would impact its dollar-denominated liabilities, primarily operating leases which have been capitalised.

Aircraft and engine rentals, as well as repair and maintenance, which are paid in dollars, accounted for about a fifth of the costs for the airline in the December quarter.

Further, borrowings in foreign currency (largely aircraft-related debt) will also impact aviation companies such as SpiceJet. While analysts say the reported numbers will indicate the mark-to-market loss, there will not be any immediate impact on cash flows on this account.

The rupee has depreciated by 4 per cent against the greenback over the month. Though a weak rupee is an issue, an analyst at a domestic brokerage says the sharp fall in the price of crude oil more than offsets the negatives on the cost front. Crude oil prices (Brent) have corrected by over 30 per cent over the past week and have cracked by 50 per cent since the start of the calendar year.

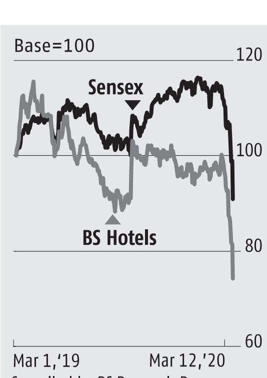
Fuel is the single-biggest cost for airlines, accounting for just over a third of their cost base. The gains for airline companies will start to accrue from April 1, as the monthly reset of prices is already done for March, says an analyst.

On the demand front, the travel advisory on international routes would mean a fifth of the sector's revenues will be at risk. Analysts believe that while some of the capacity is expected to be redeployed on the domestic network, the weak demand in the local markets, too, will weigh on the airline companies.

Most brokerages believe that if the situation worsens, IndiGo is better placed than other aviation companies, given its market leadership, lowest cost structure, and a healthier balance sheet.

Hotel stock investors stare at turbulent times

June quarter likely to get worse; leveraged positions add to concerns



Compiled by BS Research Bureau

SHREEPAD S AUTE

With stringent curbs on foreign tourist travel by India till April 15 due to the coronavirus outbreak, stocks of major hotel players like The Indian Hotels Company (IHCL), Lemon Tree Hotels, Chalet Hotels, and EIH, among others, plunged 10-20 per cent in Thursday's trading session, hitting their all-time 52-week lows. The decline was much higher than the 8 per cent fall in leading indices such as the BSE Sensex amid a bearish sentiment.

Companies such as IHCL and Chalet Hotels, which have a relatively high share of foreign tourists, could see a sharper impact on their top line and operating profit. While foreign tourists account for around 35 per cent of the overall business of IHCL, which operates properties in India and countries such as the US and the UK, it is over 50 per cent for Chalet Hotels, according to Edelweiss estimates. According to Archana Gude, analyst at IDBI Capital, "Domestic hotel players would see lower occupancies for foreign as well as domestic travel segment owing to coronavirus." In fact, some hotel players with a lower share of foreign tourists have also witnessed a sharp decline in occupancy levels in the initial period of March.

KEY COMPANIES

	Share of foreign tourists (%)	Total debt (₹ cr*)	Debt to equity ratio (X)*
Indian Hotels	35.0	3,503.2	0.9
EIH	NA	687.4	0.2
Chalet Hotels	50.0	1,370.1	0.9
Lemon Tree Hotels	10.0	1,285.1	1.6
TAJGVK Hotels	NA	193.9	0.5

*As of September 2019
Sources: Edelweiss Securities, Capitaline

The news is discouraging, considering the December data had shown average room rates and occupancy levels for the industry improving, with demand rising amid limited supply of new capacity.

In view of the current situation, experts say while the March quarter would see an impact of the pandemic, the June quarter is likely to get worse. The inability to contain the contagion could lead to an extension of restrictions on foreign tourist arrivals.

This clearly indicates the degree of impact the travel advisory could have on the hotels industry. Additionally, the meetings, incentives, conferences, and exhibitions (MICE) segment is also seeing cancellations, fuelling further worries, cautioned Gude.

Even though companies take price cuts, it is unlikely to push demand in the current situation, believes Nihal Mahesh Jham, analyst at Edelweiss Securities.

This apart, the leverage position adds to these concerns of demand and profitability for some hotel companies. Although a few players are moving to an asset-light model, any significant dent in their top line would weigh on their outstanding leverage/debt servicing ability if the pandemic is long-drawn-out.

Against the above backdrop, hotel stocks are likely to remain under pressure until the situation is brought under control. Thus, despite the sharp correction in these stocks, investors are recommended to not wait till the clouds clear.

India VIX at 11-year high

Analysts say Nifty trading range shifted to 9,000–10,000

ASHLEY COUTINHO
Mumbai, 12 March

India VIX, a measure of investors' perception about the risk of sharp swings based on options prices, rose to its highest level since the 2008 global financial crisis, as fear gripped markets worldwide after COVID-19 was declared a pandemic.

The fear gauge slid nearly 30 per cent on Thursday to 41.16, even as the Nifty dipped 8.3 per cent.

VIX is meant to indicate investors' perception of the annual market volatility over the next 30 calendar days. The higher the value, the higher is the expected volatility and vice versa.

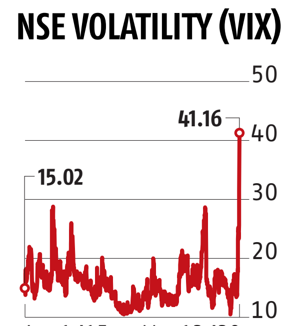
VIX touched its historical peak of 85.13 on November 17, 2008, in the aftermath of the collapse of Lehman Brothers. In the past five years, it has stayed below 30.

The CBOE Volatility Index (VIX), another popular fear gauge which measures the short-term volatility of S&P 500 indices, has shot up 65 per cent in the past five sessions.

"We have witnessed so many corrections in the past 10-12 years, but the kind of volatility and ferocity we are seeing across the globe is quite abnormal. Traders should adopt a wait-and-watch approach and avoid leveraged trades in such volatile markets," said Sameet Chavan, chief analyst–technical & derivatives, Angel Broking.

According to experts, the Nifty has continued its lower top-lower bottom formations, a trend seen in the last four weeks, and witnessed a sharp selling towards 9,500 zones. The Nifty ended Thursday at 9,590.

NSE VOLATILITY (VIX)



"Global bourses are witnessing intraday swings of 5-10 per cent and traders are advised to avoid bottom fishing as the massacre may continue in coming days. Resistance is gradually shifting lower to the 10,000-zone, while support is now at 9,119 and 8,970 levels for the Nifty," said Chandan Taparia, derivatives analyst at Motilal Oswal Financial Services.

The Nifty has formed a large bearish candle and the relative strength index (RSI) oscillator has dug further into the oversold territory.

The RSI is a momentum oscillator that measures the speed and change of price movements and oscillates between zero and 100.

The RSI is considered overbought when above 70 and oversold when below 30.

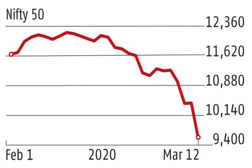
Maximum call open interest (OI) is at the 12,000-strike, while the maximum put OI is at the 9,500-strike. Call writing was seen at 10,000 and 10,200 strikes, while put writing was at 9,000 and 9,500 strikes, and sliding lower.

"Option OI data is scattered and shifted at various strikes as many put writers got trapped in the recent market fall and the unwinding pressure could keep the Street under pressure. The options data indicates a shift in wider trading range between 9,000 and 10,000 zones," said Taparia.

OI indicates how many options contracts are currently outstanding or open in the market.

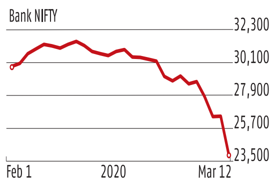
When writing a put, the writer agrees to buy the underlying stock at the strike price if the contract is exercised. Writing a call gives the buyer the right to buy a stock at a certain price by a certain date.

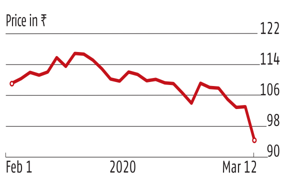
TODAY'S PICKS



Nifty
Current: **9,590 (fut: 9,580)**
Target: **NA**
Stop long positions at 9,475. Stop short positions at 9,700. Big moves could go till 9,900, 9,200. Trend is negative but be prepared for extreme volatility. A long March 19, 9,200p (203), short 9,000p (158) could gain 25–35 if the index slides below 9,200.

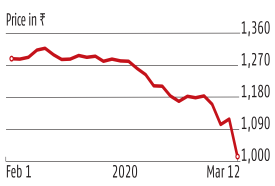
Bank Nifty
Current **2,3971 (fut: 2,4011)**
Target: **NA**
Stop long positions at 23800. Stop short positions at 24200. Big moves could go till 23500, 24500. Trend negative but extreme volatility likely.

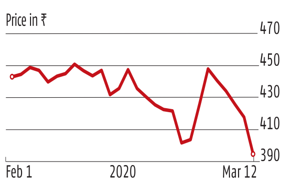




NTPC
Current price: **₹94.5**
Target price: **₹92**
Keep a stop at 95.5 and go short. Add to the position between 92.5–93. Book profits at 92.

Larsen & Toubro
Current price: **₹1,016**
Target price: **₹997**
Keep a stop at 1,025 and go short. Add to the position between 1,000–1,005. Book profits at 997.





Cipla
Current price: **₹395**
Target price: **₹476**
Keep a stop at 488 and go short. Add to the position between 478–480. Book profits at 476.

DEVANGSHU DATTA

Target prices, projected movements in terms of next session, unless otherwise stated

Green shoots in falling mkt

Analysts say investors looking for pockets of safety, valuations are of little consequence

JASH KRIPLANI
Mumbai, 12 March

The meltdown in markets has led to a sharp wealth erosion across stocks, with 1,242 trading at 52-week lows. Since the all-time high of 12,362 points on January 14, the Nifty has corrected over 20 per cent. However, in this same period, four of the Nifty50 stocks are offering some green cover to investors.

These are Nestlé India, Hindustan Unilever (HUL), Asian Paints, and Bharti Airtel. All these stocks' fortunes are linked to domestic consumption, rather than global growth.

"It is not surprising that investors are looking for pockets of safety in the current environment and are putting their funds in consumer staple names like Nestlé India and HUL," said Jigar Shah, chief executive officer of Maybank Kim Eng Securities.

RIL, TCS, HDFC, and HDFC Bank are trading at their 52-week lows. Their stocks have fallen 15–26% since January 14

"In such an environment, investors seek for cash proxies and demand for consumer staples is always going to stay, regardless of such external headwinds. So, valuations are of little consequence at present," Shah said.

While HUL is trading at 51 one-year forward earnings, Nestlé India is at 70.6 one-year forward earnings. Since January 14, Nestlé India has given a return of 4.7 per cent, while HUL is up 2.35 per cent.

Asian Paints is another stock that has held up in face of a sell-off across the Street. In the same period, the stock has given slightly positive returns of 1.3 per cent.

Experts say the consumer discretionary company has remained resilient due to its strong balance sheet and orientation towards domestic demand.

"Stocks with any linkage to the global economy have taken a bigger knock. There is uncertainty over which part of their global value chain can get disrupted due to the coronavirus scare," said Pankaj Pandey, head of research at ICICI Securities.

"Companies with good balance-sheet and domestic focus have shown resilience," he said.

Also, a drop in crude oil prices, which is one of the key input costs for the company, is expected to give positive triggers to the earnings.

Since beginning of January, prices of Brent crude are down 54 per cent.

Among other stocks, Bharti Airtel has remained flat during this period of massive selling. "The telecom company is emerging out of eighteen year of underperformance. Further, the fundamentals for the telecom sector are improving. Tariffs are going up, there is consolidation, and there is unlikely to be any impact on domestic use of cellphones or internet due to such globally-linked factors," Shah said.

Dr Reddy's Laboratories has given negative returns. But, the stock's fall has been among the least in the Nifty universe, with the stock down 3.3 per cent since January 14.

According to analysts, pharma companies are not expected to get majorly affected by the coronavirus scare as pharma products will be in more demand as this outbreak spreads.

On Wednesday, the World Health Organization declared coronavirus as a pandemic.

These stocks have managed to hold up even as several blue-chip stocks have cracked.

Reliance Industries, Tata Consultancy Services, and HDFC twins (Housing Development and Finance Corporate and HDFC Bank) are trading at their 52-week lows. These stocks have fallen between 15-26 per cent since January 14.


PHOTO: KAMLESH PEDNEKAR

BUCKING THE TREND

Few stocks have stayed up, even as Nifty is down 22% since all-time highs

Stock	Chge from Jan 14 (%)*	Current price (₹)	Cons. tgt price (₹)	Est. upside (%)
Nestlé India	4.69	15,619	15,644	0.16
HUL	2.35	2,059	2,250	9.28
Asian Paints	1.33	1,842	1,914	3.91
Bharti Airtel	-0.94	464	597	28.66
Dr Reddy's Labs	-3.30	2,854	3,367	17.97

*Markets closed at all-time high on Jan 14, 2020 Source: Bloomberg

FPIs pull out ₹36,221 crore in 13 days from equities

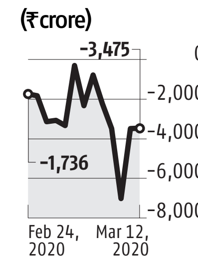
DEEPAK KORGAONKAR & PUNEET WADHWA
Mumbai/New Delhi, 12 March

The outflow from the Indian capital markets could pick up pace if foreign institutional investors (FIIs) continue to remain in a risk-off phase, given the coronavirus pandemic, which has tightened its grip over most economies, say analysts.

Adopting a cautious approach amid the worldwide outbreak, foreign portfolio investors (FPIs) have pulled out a net ₹36,221 crore ($4.96 billion) from the Indian capital markets in the past 13 trading days.

"For FPIs/FIIs, it is more of a global risk-off and not just about India. While the health scare has dampened investor sentiment across the globe, India benefits from the sharp fall in oil prices seen over the past few sessions. As regards coronavirus, we have been relatively unaffected as compared to the developed nations. Thus, the main reason why the FIIs are exiting is the risk-off. So long this persists, India will not be spared," explains U R Bhat, managing director at Dalton Capital.

FPI NET EQUITY INVESTMENT
(₹ crore)



Source: NSDL/stock exchange
Compiled by *BS* Research Bureau

According to the latest depositories data, FPIs have pulled out ₹32,746 crore ($4.49 billion) from the equity segment between February 24 and March 11. On Thursday, FPIs sold a net amount of ₹3,475 crore ($471 million).

This translates into a total net outflow of ₹36,221 crore during the period. With Thursday's fall, the Sensex and Nifty have tanked a massive 20 per cent in just 13 trading days. Domestic mutual funds have bought a net ₹15,128 crore in equities. Nischal Maheshwari, CEO for institutional equities & advisory at Centrum Broking, expects the markets to remain fragile and respond negatively to virus-related developments and dwindling global economic indicators.

"Given the ongoing global risk sentiment, investors are flocking to safe-haven asset classes and avoiding risky emerging market asset classes. Given the global health scare, the Indian economy may enjoy the position of being less vulnerable to such shocks," Maheshwari said.

While a coordinated and aggressive monetary easing from the RBI is most likely to offer some respite in the near-term, it is unlikely to improve sentiments substantially unless there are signs of abating, analysts say. On the impact of COVID-19, analysts at UBS suggest the market is pricing in global growth at only 2 per cent, compared to a long-term average of 3.5 per cent, 4 per cent prior to pandemic worries, and 2.8 per cent before the talks with Opec on oil demand and supply broke down.

Not a good time to sell

If you wish to buy, do it in tranches

JOYDEEP GHOSH, SANJAY KUMAR SINGH & BINDISHA SARANG

Retail investors would be at their wits' end after the BSE Sensitive Index, or Sensex, tanked as much as 3,000 points on Thursday. And, no one knows when this rout will stop. "Many people are comparing this with the 2008-09 crisis, but that was a financial sector crisis. Things are different this time. Our economy was already in the slow lane, and this global pandemic and crude oil fall will hurt many sectors very badly," says a fund manager. We also have the additional headwinds like the YES Bank crisis that will hit both customers and creditors.

Says Harsha Upadhyaya, chief investment officer (equity), Kotak Asset Management Company: "It is a situation of extreme panic. But, we do see markets getting spooked by these kinds of events every 5-10 years. Locally, we had slower growth and stress in the financial system. We also had the developments at YES Bank. But, the primary issue that has taken the market down is the spread of the coronavirus and the kind of selling that we have seen from foreign institutional investors. Until the third week of February, they had been investing in the Indian market consistently. But as the coronavirus spread in the US and Europe, they started pulling out."

Interestingly, a couple of months back, things were completely different. As Nilesh Shetty, associate fund manager (equity) at Quantum Mutual Fund, puts it: "Last year or even a couple of months ago, markets were doing so well that someone who wanted to book profits could have done so easily. Everybody knew the market was expensive, but for some reason believed it will not go down." The Sensex is down a whopping 21 per cent since the beginning of the calendar year, which means we are officially in a bear market now.

In such circumstances, there are two things you can do. As Mukesh Dedhia, director, Ghalla and Bhansali Securities, says: "If you need money in the short term, just sell immediately. Don't think that things will improve tomorrow because there is an overall downside trend. However, if you don't need the money immediately, continue to hold on."

Rajeev Thakkar, chief investment officer, PPFAS MF, has this advice for direct stock investors: "The economic slowdown will be harmful for fragile companies. So, stay away from highly-leveraged companies in sectors affected by the virus impact. Sectors like airlines and hotels are directly affected. Also, cyclicals like metals and oil exploration companies have been the most impacted."

Currently, according to Upadhyaya, the three-year returns are almost negative even in large-cap funds and five-year returns are in marginal single digit. "Historically, we have seen that in periods of time when there is extreme panic and nervousness, if one holds on to stocks or mutual funds, or invests further, one earns great returns. Usually, markets do not sustain at such levels and they usually bounce back," he says, adding it would not be a bad time to make a lump-sum investment as there has been a massive correction in valuations.

Adds Shetty: "If you have a slightly longer term view and can ignore the noise that could happen over the next one- two months, this will be a great time to go ahead and allocate money to equity markets. Since no one can predict how low the market can fall, it will be better to stagger the investment. You should start now, if you want to begin allocating money."

For an investor through the systematic investment plan route, timing does not matter so much. But starting now, when markets have corrected significantly, would make great sense. Even if the market falls further, the number of units that he will get from his next purchase will be much more. And these very units will improve returns substantially in the future.

RECENT SENSEX FALL AND RECOVERY

	Sensex fall in calendar years				Sensex recovery		
CY	Date	Low	% fall	Days	Date	Sensex	Days
2008	Oct 27,'08	8,510	-45.1	77	Jul 31,'09	15,670.3	277
2012	May 23,'12	15,948	-13.5	92	Sep 14,'12	18,464.3	114
2013	Aug 21,'13	17,906	-11.8	29	Sep 19,'13	20,646.6	29
2015	Sep 07,'15	24,894	-12.7	47	Sep 02,'16	28,532.1	361
2016	Nov 21,'16	25,765	-11.3	74	Mar 06,'17	29,048.2	105
2018	Oct 26,'18	33,349	-14.3	59	Apr 02,'19	39,056.7	158
2020	Mar 12,'20	32,778	-21.9	58	–	–	–

Source: Exchange Compiled by *BS* Research Bureau

COMMODITIES

PRICE CARD

As on March 12	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,670.5	-4.8	1,886.3	-1.0
Copper	5,552.0	-8.9	5,968.7	-7.5
Zinc	1,978.5	-11.2	2,169.2	-16.5
Gold ($/ounce)	1,611.2*	9.6	1,810.4	9.1
Silver ($/ounce)	16.1*	-4.8	19.0	-1.0
ENERGY				
Crude Oil ($/bbl)	32.3*	-51.3	34.7	-46.1
Natural Gas ($/mmBtu)	1.8*	-23.2	1.8	-20.8
AGRI COMMODITIES ($/tonne)				
Wheat	185.6	-0.1	269.5	-10.4
Maize	183.8*	0.4	219.5	-23.3
Sugar	360.8*	1.8	462.9	-4.4
Palm oil	585.0	-18.8	956.6	-14.6
Cotton	1,319.9	-10.9	1,441.7	-8.9

* As on Mar 12, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 74.2 & 1 Ounce = 31.1032316 grams.

Notes:
1) International metals, Indian basket crude, Malaysia Palm oil, Wheat LIFFE and Coffee Karnataka robusta pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and Domestic Crude oil is Indian basket.
4) International Natural gas is Nymex near month future & domestic natural gas is MCX near month futures.
5) International Wheat, White sugar & Coffee Robusta are LIFF E future prices of near month contract.
6) International Maize is MATIF near month future, Rubber is Tokyo-TOCOM near month future and Palm oil is Malaysia FOB spot price.
7) Domestic Wheat & Maize are NCDEX future prices of near month contract, Palm oil & Rubber are NCDEX spot prices.
8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.
9) International cotton is Cotton no.2-NYBOT near month future & domestic cotton is MCX Future prices near month futures.

Source: Bloomberg Compiled by BS Research Bureau

Crude oil, metals slide on global cues; crypto crashes

MCX FUTURES PRICE

	Unit	12 Mar,'20*	1-day change (in %)
BASE METAL			
Nickel	₹/kg	887	-4.9
Copper	₹/kg	417	-2.1
Lead	₹/kg	142	-2.0
Zinc	₹/kg	155	-2.0
Aluminium	₹/kg	136	-0.5
ENERGY			
Crude oil	₹/bbl	2,296	-7.5
Natural gas	mmBtu	136	-7.1
BULLION			
Gold	₹/10 g	42,668	-1.6
Silver	₹/kg	44,200	-3.5

*Price as of IST 19.00 hrs Source: Exchange /Bloomberg; compiled by *BS* Research Bureau

RAJESH BHAYANI
Mumbai, 12 March

Commodity prices continued to fall in line with global markets, with copper leading the decline in metals on Thursday.

Doom sentiment in financial markets has hit crypto currencies. Bitcoin fell $1,000 in 15 minutes to trade at $6,000 level. A few days earlier, it was at $9,250. Ethereum and Ripple were also sharply down. An analyst tracking crypto currencies said this was in line with the sentiment with other asset classes in financial markets.

Market veterans said investors and traders were booking profits wherever possible. In the international market, "only sentiments are driving. Fundamentals and technicals are behind", said Gnanasekar Thiagarajan, director at Commtrendz Research.

On Thursday, copper dropped over 2 per cent on the London Metal Exchange (LME) to $5,409 a tonne, the lowest since December 2016. Later in the day, it cut some losses to trade 1.7 per cent lower at $5,433.5.

The fall in other metals was sharper in copper and nickel (3.3 per cent) and zinc (1.2 per cent). Silver was down 3.37 per cent to ₹44,280 per kilo and gold was down to ₹1.45 per cent to ₹42,726 per 10 gram on MCX futures.

The decline in other metals was not as sharp, perhaps because these had fallen earlier. Silver was also falling, though the dip was curtailed in afternoon trading.

On the Multi Commodity Exchange (MCX), crude oil traded 7 per cent lower, at ₹2,310 a barrel.

"Till there are concrete reports of a vaccine for curing patients hit by the coronavirus, the market is not likely to get solace," says Thiagarajan. "Recovery should (then) also be fast. Lots of money is said to be waiting on the sidelines."

Algorithm players are also heavily selling, with new technical supports being broken. Their bets will swing with the sentiment.

Even agriculture commodities were down. Guar gum and guar seed futures were locked in the lower circuit on the National Commodity and Derivatives Exchange. Crude palm oil futures were down 2.9 per cent on the MCX.

"With Brent crude oil prices falling nearly 50 per cent since early January, the attractiveness of edible oil (both palm and soy oil) usage in bio-fuel blending has reduced drastically. Guar gum fell because it's used in fracking, a method of extracting shale gas that involves pumping of pressurised gas into the ground," explained Ravindra Rao, head of commodity research at Kotak Securities.

Crop damage pushes potato prices up 25%

DILIP KUMAR JHA
Mumbai, 12 March

Potato prices have jumped by 25 per cent in a month due to crop damage and frequent hailstorms in major cultivating regions. The price stands at double of what it was in the same time last year.

The data compiled by the Nashik-based National Horticultural Research & Development Foundation showed the model potato at ₹14 a kg in the benchmark Asansol wholesale mandi in West Bengal. Prices there had slumped to the season's low of ₹11.20 a kg on February 14 on increased arrivals of new season crop. Wholesale prices are expected to go up further to ₹22, which means ₹40 a kg in retail market.

Farmers reported massive damage in transit in addition to huge quantity of the potato left unharvested due to mud in the field.

"At least 30-40 per cent potato got damaged this year due to hailstorms, which pushed its prices up in both wholesale and retail markets. With the harvesting of the current season crop completed, arrivals have started declining steadily. Further increase in potato price is likely," said Pravir Kumar Bera, managing partner, Agrive Exports & Imports, a Kolkata-based potato wholesaler and exporter.

West Bengal contributes nearly 25 per cent (11-11.5 million tonnes) of India's overall potato output and stands second after Uttar Pradesh (nearly 30 per cent).

Daily arrivals have declined in the Asansol mandi to 36 tonnes now, as against 50 tonnes about a month ago. The same case of price and arrivals prevails for potato across all major mandis in India.

Meanwhile, farmers are delaying release of their stock in anticipation of further price rise.

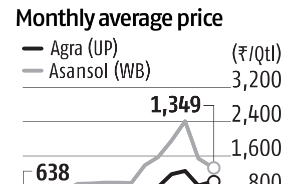
In Indore, where potato harvesting is expected to continue for another two-three weeks, farmers are storing the produce in their godowns amid expectation of further increase in its prices.

"Quantity of arrivals is low today because farmers anticipate further price rise. While a huge quantity of potato is coming into cold storages, farmers and stockists want to delay its sale for higher realisation later," said Hasmukh Jain Gandhi, president, Madhya Pradesh Cold Storage Association.

Bera expects potato prices to jump to ₹22-25 a kg in wholesale mandis in the next few weeks, which will translate to ₹40 a kg for consumers.

RATE CHART

Monthly average price



Source: National Horticultural Research & Development Foundation
Compiled by *BS* Research Bureau

Zydus beats the drums for the Heinz band

Over a year since the company acquired Complan, Glucon-D and Nycil, it is redrawing the marketing formula around its newly acquired brands

SOHINI DAS
Mumbai, 12 March

The company plans a big advertising push for Complan with star-endorser Sourav Ganguly playing a crucial role in future communication initiatives

When Zydus Wellness chairman, Sharvil Patel, sealed the final deal with Heinz India in January last year, he knew he was bringing home much more than a portfolio of consumer products. His new acquisitions, Complan, Nycil and Glucon D had a relationship with consumers going back over 50 years and a legacy that cast a shadow well beyond the confines of their categories.

Now as the company draws up the roadmap for the brands under its banner, it is looking to leverage the synergies in its portfolio to create a wider and deeper distribution network and also unlock the star power of Complan's brand ambassador, Sourav Ganguly.

The company said it would soon release a nationwide campaign with Ganguly that would talk up the all-new parentage of Complan while driving home its core benefits. At the same time, it has put in place a large web of consumer touch points for the brand.

The acquisition of the Heinz brands came about in 2018, with the final deal being signed in January 2019 and since then, the company said that the reach of the brands in the portfolio has nearly doubled. There are nearly 500,000 sales touch points now.

How did this come about? By pooling in the advantages of the Zydus Wellness portfolio with the new brands. "We have increased touch points and reduced costs. We are now also looking at improving the quality of distribution. For example, pre-acquisition we were strong with chemists and cosmetics retailers and also with modern trade and e-commerce. The acquired business had a strong presence in the grocery chain. We have been able to work with each of the segments now," says Tarun Arora, CEO, Zydus Wellness, a wholly owned subsidiary of Zydus Cadila.

He explains that Nycil was largely present in grocery and medical stores. "But being a talc brand, we thought it could also be there at cosmetics outlets, where EverYuth already has presence," Arora says. Zydus wants to draw these synergies in tighter. For instance, Sugar Free that is strong within the chemists and e-commerce network and an old Zydus brand has found new wings with Complan's grocery chain connections.

Will the company reposition and refresh the new brands too? Arora does not foresee a revamp in the near future. Nycil, he claims, has gained 2.5 per cent in terms of market share in its category last year on account of a larger distribution network. Currently it has 34.5 per cent share of the ₹767 crore category of functional talcs. The company is looking at new variants. Arora says that Nycil Aloe Vera, already tested out in some towns in the South, will soon roll out nationally.

For Complan, the company has an advertising push in mind with Ganguly. It has also been working with studios to partner with popular movie franchises such as Disney for Frozen 2 and with toy companies such as Mattel, for Barbie and Hot Wheels. In 2021, Zydus is likely to bring in more variants of Complan and explore sub categories such as adult health drinks. The company is also leveraging its relationships with the doctor community to push Complan as a health drink. For Glucon D that currently has 59 per cent share of the market, the company is looking at brand extensions to increase the frequency of its purchase.

It is not just the newly acquired brands that are under focus at Zydus Wellness, old staples such as Sugar Free are too. With a closer grasp of the consumer mindset with its new portfolio, the company has cut prices for a Sugar Free Green variant. It is also pitching the brand as more than a sugar substitute for diabetics, hoping to expand its scope since Sugar Free is already the largest player in the category.

"The biggest challenge we face is the myth around sugar substitutes. Even after authorities say that these are safe, we are still fighting perceptions," Arora says. The company currently spends around 15 per cent of its revenues for advertising and marketing, which is likely to stay unchanged.

FROM PAGE 1

$2-billion swaps to deal with currency swings

The RBI's move comes on the heels of the US Fed pumping extra liquidity in the overnight lending markets, while Russia supplied dollars and Indonesia stepped up its bond purchases to support the local currencies. However, a global coordinated action, promised by the G-20 central banks, has not yet happened.

"Global coordinated action is delayed. There is not much of help from any quarters either, so the RBI did not wait and decided to take charge of the situation so that the markets are not unduly worried," said a person familiar with RBI thinking.

The rupee's movement from 72.73 a dollar on March 2 to its latest level of 74.24 a dollar was probably too fast for the RBI's liking, especially because the trading volume has thinned.

"The RBI has no problem if the rupee depreciates, but it should be orderly. The recent movement has not been orderly at all. The persistent pressure on the rupee is because of the global dollar shortage, which is feeding into sentiment," said the person.

Currency dealers say the RBI's actions caused some volatility in the forwards premium. The dollar premium was high in the first half, indicating there was demand for future dollars. But the premium collapsed in the afternoon. Later, the RBI announced a sell-buy swap, which pushed up the forwards premium again as spot dollar liquidity outlook improved, while demand for future dollars increased.

"The RBI has much better knowledge than the markets about dollar shortages. Besides, FPIs had contracted huge amount of dollars for the SBI Card IPO, which will get reversed in a day or two. The RBI's move can help address that on an immediate basis," said Paresh Nayar, head of forex and fixed income at First Rand Bank.

The central bank said it was closely and continuously monitoring the rapidly evolving global situation and spillovers. The RBI "stands ready to take all necessary measures to ensure that the effects of the COVID-19 pandemic on the Indian economy are mitigated, and financial markets and institutions in India continue to function normally," the statement said.

Markets get the shivers

"Everyone is worried about where the virus is going and what are the implications. It overshadows all the positives. No one knows what is happening to the world. It is more of fear of the unknown driving markets at the moment, and the fear negates any rational thinking," said Andrew Holland, CEO, Avendus Capital Alternate Strategies.

Experts said overseas investors were offloading stocks at whatever value, fearing that the markets would fall further and it could be a long road to recovery.

Overseas investors pulled out ₹3,475 crore on Thursday, taking their last 13-day selling to nearly ₹37,000 crore. Domestic investors provided buying support to the tune of ₹3,918 crore. Nearly half the 2,500 stocks that traded on the BSE ended at at least their one-year low. Nearly 550 stocks got locked in lower circuit and nearly 23 stocks declined for every one that advanced.

In absolute terms, Thursday's fall in the Sensex was the worst-ever, breaking the record for the worst fall in points term two sessions ago.

Index heavyweights such as HDFC Bank, Reliance Industries and HDFC dropped around 8 per cent each and dragged the Sensex lower by over 1,000 points. State Bank of India dropped 13 per cent, most among the Sensex components, followed by ONGC, which fell 12.6 per cent.

All the 19 BSE sectoral indices fell. The oil, realty and banking gauges dropped over 9 per cent each.

Amit Shah: No documents needed for NPR

Opposition says it does not trust the assurance

ARCHIS MOHAN
New Delhi, 12 March

Union Home Minister Amit Shah on Thursday said no citizen would be marked 'D' or 'doubtful' during the updating exercise of the National Population Register (NPR).

Replying to a debate in the Rajya Sabha on the recent communal riots in Delhi, Shah said no document would be required to be furnished to prove citizenship, and it was not compulsory to provide any information not available with an individual.

The home minister said he wished to allay fear and misinformation being spread among minorities, particularly Muslims, on the issue. He accused Congress leaders of triggering the spiral of hate speeches with their public meeting in Ramlila ground on December 14, a day before the Shaheen Bagh protest started.

The Opposition, however, demanded greater clarity on Shah's statement on NPR, particularly on the Citizenship Amendment Act (CAA) rules of 2003 that state that the NPR will form the basis for the National Register of Citizens (NRC).

Shah's clarification comes in the wake of countrywide protests against the Citizenship Amendment Act (CAA). Several state governments, including BJP's allies in Bihar and Tamil Nadu, have decided not to carry out updating of the NPR with the Census. Shah invited opposition leaders, including Congress' Ghulam Nabi Azad, for a discussion to answer all their questions on the NPR.

On concerns about violation of right to privacy with the investigators using facial recognition technology to catch those involved in the riots, the minister said only driving licence and electoral data were being used and 1,922 people had been identified. No Aadhaar data was used for the purpose and no privacy guideline of the Supreme Court was flouted, he said.

"I want to set the record straight. No document will be required to be furnished in the NPR exercise. It wasn't done in the past and it won't be now. Also, people will be free to provide whatever information they have," he said.

"I want to set the record straight. No document will be required to be furnished in the NPR exercise. It wasn't done in the past and it won't be now. Also, people will be free to provide whatever information they have"
AMIT SHAH
Union Home Minister

"No one will be required to give information which is not there," he said on apprehensions of residence of parents being asked in the NPR and absence of it casting doubts. "No 'D' will be marked" for anyone not providing information, he said.

Shah was responding to senior Congress leader Kapil Sibal expressing apprehension of enumerators marking 'D' against any an individual not answering all questions in the NPR.

The updating of the NPR is to be done, along with the Census, during six months beginning April 1, with enumerators seeking demographic and other particulars of each family and individuals. There are reports that communities have turned away Census enumerators as they fear the exercise would culminate into preparing an NRC.

While there was no statement from the Congress after Shah concluded his speech, other opposition parties accused the minister of misleading the nation. TMC's Derek O'Brien said he was not allowed to ask clarifications on the issue.

CPI (M) chief Sitaram Yechury tweeted that Shah had "outlined the 'chronology' clearly, not once, twice but umpteen times" on the relation between the CAA, NRC, and NPR. He said Shah's latest comments were "being made to mislead Indians". Yechury said the CAA Rules of 2003 "clearly state that the NPR would be the basis for the NRC. The government needs to amend the law and break the link. The chronology is very clear."

Shah said: "No one from minority community should have any doubt regarding CAA and NPR." He said no section of the CAA provides for taking away of citizenship of anyone. Sibal agreed to this but questioned the NPR exercise when Shah gave his clarification.

The NPR is a register of usual residents of the country. The data for NPR was last collected in 2010 along with the house-listing phase of Census 2011.

Shah said 76 per cent of those killed in riots were during Congress rules. Rejecting allegations that the Delhi riots were state-sponsored, he asked why any government would engineer such violence when the world's most powerful person, US President Donald Trump, was being hosted by the prime minister.

He said there was a deep-rooted conspiracy behind the Delhi riots as foreign money was circulated and thousands of social media accounts were created to fan hatred before violence began.

Rishi Sunak's Budget to make UK visa costlier

PRESS TRUST OF INDIA
London, 12 March

The UK Budget, tabled by Indian-origin Finance Minister Rishi Sunak, is set to make the cost of long-term visas to Britain higher with a major hike in the compulsory health fee charged on migrants.

Sunak announced that the Immigration Health Surcharge (IHS) would be hiked from £400. "Migrants benefit from our National Health Service (NHS). And we all want them to do so — but it's right that what people get out, they also put in," he said. "There is a surcharge already, but it doesn't properly reflect the benefits people receive. So, we are increasing the Immigration Health Surcharge to £624, with a discounted rate for children."

A discounted rate of £470 has been incorporated for children aged under 18 but the lower rate for international students is also set for a rise — from £300 to £470. The IHS was introduced in April 2015 and from December 2018 it was hiked from £200 to £400 per year. It is imposed on anyone in the UK on a work, study or family visa for longer than six months in order to raise additional funds for the country's state-funded NHS.

UK Finance Minister Rishi Sunak said Immigration Health Surcharge would be hiked from £400 to £624

The hike was expected as it was in the election manifesto of the Boris Johnson-led government. The UK's largest representative body for Indian-origin doctors has been lobbying for a rethink over the charge as it would have an adverse impact on their attempt to recruit more from India to meet staff shortages in the NHS.

Baroness Usha Prashar, Chair of the UK Council of the Federation of Indian Chambers of Commerce and Industry (Ficci), said: "The increase will add to the already expensive visa fees for overseas skilled workers. This will be an additional burden on Indian businesses operating in the UK."

Chandrajit Banerjee, Confederation of Indian Industry director-general, said: "As Indian industry, we had hoped that in recognition of the contribution our companies make, there would be relaxations and incentives but saw very little."

GST Council may defer simplified returns over glitches in system

DILASHA SETH
New Delhi, 12 March

With glitches in the goods and services tax (GST) portal still unresolved, the GST Council may discuss on Saturday deferring new simplified returns by one to three months from the scheduled date of April 1. In fact, e-invoicing, which was proposed to kick in from April 1 for large companies, will also likely to be postponed till July 1.

"With the server not having the capacity to handle peak load, it will be difficult to expect the new system to run smoothly. It may lead to compliance-related issues for taxpayers. Although not part of official agenda, the Council may discuss deferment of new returns, along with e-invoices," said a government official.

Officials say that Finance Minister Nirmala Sitharaman in an outreach with taxpayers was disappointed to hear complaints about GST Network platform. Infosys Chairman Nandan Nilekani will give a presentation before the Council.

The Department of Revenue in a letter to Infosys on March 5 flagged a list of unresolved issues or ones resolved late. It pointed out how the policy wing of the Central Board of Indirect Taxes and Customs had sought an increase in server capacity. To this, Infosys said this was no issue, informed sources.

The department also raised the issue that many taxpayers were charged late fee from January 31, 2019, for annual return for 2017-18, whereas late fee was to be charged from January 31, 2020. "Where taxpayers were to be charged ₹200, they were charged up to ₹72,000 in late fees. A writ in this regard was also filed in the Jodhpur High Court," it said.

The Department of Revenue further said the facility for blocking and unblocking e-way bill generation for non-filing of GSTR-3B was decided by the GST Council in September 2018, but the system was made available only on December 3, 2019.

On Aadhaar verification of new and existing registrations, the Department of Revenue said the basic process was approved by the law committee on August 29, 2019, and approved by the Council on September 20, 2019, but the functionality has still not been made available.

The department also asked Infosys to come up with a resolution and road map in 15 days.

DoT to reassess AGR dues

MEGHA MANCHANDA
New Delhi, 12 March

The Department of Telecommunications (DoT) said on Thursday it would reassess the documents submitted by Bharti Airtel, Vodafone Idea, and Tata Teleservices, as part of the companies' self-assessment of adjusted gross revenue (AGR) dues.

The telecom service providers have been directed to make payments on the basis of self-assessment and submit requisite documents for compliance, Sanjay Dhotre, minister of state for communications, said in a written reply in Rajya Sabha.

"Following this, DoT will carry out reassessments on the basis of documents submitted by the telecom service providers in accordance with the license agreement and issue revised demand notices," he said.

Dhorte was replying to a question on whether the DoT was yet to work out the final figures of AGR liabilities due to the variation detected in accounting practices, and steps that the government has taken to rework the dues.

According to DoT sources, there are some 23 items where the government feels there are discrepancies in official AGR calculations and companies' calculations. It is learnt that the department would seek vouchers and receipts from the companies establishing their AGR calculation claims. "The companies have informed that they have done reassessments, but they will have to furnish all related documents," a senior official said.

To another question on whether the government was considering working on relief package for telecom service providers, and if a committee of secretaries has been constituted in this regard, the minister said: "No such proposal is under consideration by the government."