

17 ECONOMY

GOLD	RUPEE	OIL	SILVER
₹41,610	₹74.25	\$33.49	₹40,304

*Indian basket as on March 13, 2020

SENSEX: 31,390.07 ▼ 2713.41 NIFTY: 9,197.40 ▼ 757.80 NIKKEI: 17,002.04 ▼ 429.01 HANG SENG: 23,063.57 ▼ 969.34 FTSE: 4,990.96 ▼ 375.15 DAX: 8,454.11 ▼ 777.97

*International market data till 1900 EST

TRACKING COVID-19 COMPANY AFFAIRS

MCA to allow board meetings to be held via video conference for three months

KARUNJIT SINGH
NEW DELHI, MARCH 16

THE CORPORATE Affairs Ministry is set to allow companies to hold board meetings dealing with matters of high importance — including decisions on mergers, amalgamation and takeovers — through video conferencing for a period of three months, in the wake of the coronavirus outbreak. A senior government official said that the move was a response to representations by industry bodies and major corporates that board members may not be able to travel due to travel restrictions.

Post the announcement, which is expected in the next few days, companies will be able to hold meetings via video conferencing for matters dealing with approval of financial statements as well as books of accounts, approval of the board's report and approval of matters relating to mergers and restructuring.

Currently, companies are allowed to hold board meetings via video and audio conferencing, but meetings dealing with the above mentioned issues need to be held with directors physically present.

"Mergers, demergers and any restructuring are major issues for which a physical meeting is a must, but given the situation where a lot of people are reluctant to travel and the end of the financial year fast approaching, we feel it is necessary to give a relaxation in this regard," said the government official, adding that the three month relaxation would help businesses remain compliant with rules on board meetings under the Companies Act.

The official added there are

An official said the move was a response to representations by industry bodies and corporates that board members may be unable to travel due to restrictions

already sufficient safeguards under the companies law to ensure proper documentation of such board meetings, noting that these companies will be required to store recordings of the meetings.

Experts welcomed the move saying it would in particular benefit companies with foreign directors in being able to continue functioning efficiently. "This move was much needed. It will allow companies with foreign directors or directors who do not want to travel given the circumstances to continue making key decisions including approval of financial statements which is set to come up next month," said Ankit Singhi, partner at law firm Corporate Professionals.

A representative of an industry body said the industry had approached the Corporate Affairs Ministry on this issue and that this was a very timely move. "In the first week or 10 days of April, there will be a lot of board meetings and foreign directors cannot travel which would mean that the quorum of board member required may not be complete and the board would not be able to conduct business," said the representative, adding that the availability of video conferencing as an option would allow the boards of these companies to continue functioning.

US CENTRAL BANK SLASHES SHORT-TERM RATES TO TARGET RANGE OF 0% TO 0.25%

Fed cuts rates, other central banks coordinate

REUTERS
WASHINGTON/SYDNEY, MAR 16

THE US Federal Reserve and its global counterparts moved aggressively with sweeping emergency rate cuts and offers of cheap dollars to help combat the coronavirus pandemic that has jolted markets and paralysed large parts of the world economy. The coordinated response from the Fed to the European Central Bank (ECB) and the Bank of Japan (BOJ) came amid a meltdown in financial markets as investor anxiety deepened over the difficulty of tackling a pathogen that has left thousands dead and put many countries on virtual lockdowns.

The Fed moved first on Sunday, cutting its key rate to near zero in a move reminiscent of the steps taken just over a decade ago in the wake of the financial crisis.

The US decision triggered emergency policy easings by central banks in New Zealand, Japan and South Korea, with Australia also joining with a liquidity injection in a coordinated move aimed at stabilising confidence as the pandemic threatened a global recession.



"The virus is having a profound effect on people across the US and around the world ... We really are going to use our tools to do what we need to do here"

JEROME POWELL,
CHAIR, US FEDERAL RESERVE

"The virus is having a profound effect on people across the United States and around the world," Fed Chair Jerome Powell said in a news conference after cutting short-term rates to a target range of 0 per cent to 0.25 per cent, and announcing at least \$700 billion in Treasuries and mortgage-backed securities purchases in coming weeks.

"We really are going to use our tools to do what we need to do here," Powell said, adding that the Fed has gone in "strong" and could increase bond-buying and use other tools to support market functioning and the flow of credit, what he called the Fed's "most important" function.

As governments restrict gath-

erings, businesses and schools close, and families begin to hunker down in an effort to reduce the spread of the virus, Fed officials will "do what we can to ease hardship" as economic activity slows this quarter and next, he said.

Powell said he could not say how long or how big the downturn will be, but promised to keep rates where they are until Fed officials are "confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals." The Fed will delay official economic forecasts until June, he said.

The Reserve Bank of New Zealand (RBNZ) slashed rates to a

record low as markets in Asia opened for trading this week, while Australia's central bank pumped extra liquidity into a strained financial system and said it would announce more policy steps on Thursday.

Later, the Bank of Japan too eased monetary policy on Monday by pledging to buy risky assets such as exchange-traded funds (ETF) at double the current pace. At the meeting, the BOJ decided to buy ETFs at an annual pace of around 12 trillion yen (\$112.55 billion), double the previous amount, until markets stabilise from the recent rout. The BOJ left unchanged its -0.1 per cent short-term interest rate target and a pledge to guide long-term rates around 0 per cent. Neighbouring South Korea stepped in as well with a 50-basis point rate cut in a rare intermeeting review on Monday.

"I don't think we have reached a limit on how deep we can cut interest rates," BOJ Governor Haruhiko Kuroda said.

"If necessary, we can deepen negative rates further," he added. "We can continue to pump ample liquidity into the market."

RBI hints at rate cut; Sensex plunges 8%, ends 2,713 pts lower



RBI Governor Shaktikanta Das in Mumbai. *Nirmal Harindran*

ENSE ECONOMIC BUREAU
MUMBAI, MARCH 16

ON MONDAY, as the BSE Sensex plunged 2,713 points or almost 8 per cent, its second biggest fall in absolute terms to close at 31,390, the Reserve Bank of India indicated the possibility of a policy rate cut even before the scheduled review of monetary policy.

Addressing the media, RBI Governor Shaktikanta Das said, "The RBI is ready to take all necessary measures to ensure that the effects of coronavirus (Covid-19) pandemic on the Indian economy are mitigated and financial markets and institutions continue to function normally."

Das also announced two measures — a rupee-dollar swap auction and long-term rupee repo operations (LTRO) — to meet dollar demands of the industry and inject more liquidity in the domestic market, respectively.

"We propose to conduct another six months US dollar-rupee swap on March 23 to provide liquidity to the foreign exchange market. The LTRO will be conducted in multiple tranches for a total of Rs 1 lakh crore at policy rates to counter-balance the domestic liquidity effects of the swap and further improve monetary transmission," he said.

Responding to a question on reducing repo rate in the backdrop of cuts by central bankers in developed economies, the RBI Governor said, "I don't rule out anything. I'm not ruling out any possibility, depending on the evolving situation, we will decide on the timing of our action."

"It is important that policy space is used appropriately and it is suitably timed to optimise its impact. The RBI has several instruments at its command and stands ready to act," he said.

The rate cut signal from the RBI came on a day when the Sensex, which swung over 5,300 points intra-day on Friday, logged its second-biggest drop in absolute terms Monday, in a global sell-off with the broader NSE Nifty plummeting 757.80 points, or 7.61 per cent, to end at 9,197.40.

"We will use the various policy instruments from time to time, depending on requirement, and our response will be calibrated. Our effort is to see that our responses are neither premature nor delayed. We will make every effort to see that whatever instrument or whatever announcements we make, they do have the desired effect. They do have optimum impact," he said, even as the market speculated about a 50-basis point repo rate cut Monday.

The RBI Governor's comments

follow the US Federal Reserve's unusual decision Sunday to cut its key interest rate to near zero, a dramatic move not seen since the depths of the 2008 financial crisis.

The one percentage-point decrease was the US central bank's second emergency rate cut this month in an attempt to cushion the rapidly growing economic effects of the coronavirus pandemic. Despite the Fed rate cut, European shares dropped more than 8 per cent Monday, led by losses in Italy and France, the two countries hardest-hit by the coronavirus pandemic. Hong Kong fell over 4 per cent, Japan's Nikkei 225 lost nearly 2.5 per cent, and the Shanghai Composite Index lost nearly 3.5 per cent.

Though the RBI had slashed Repo rate by 135 basis points to 5.15 per cent in 2019, it kept the policy rate unchanged in the last two policy reviews due to a spike in inflation. The Monetary Policy Committee (MPC) of the RBI is meeting April 3 to review the monetary policy.

According to Das, it's important to ensure that policy actions are carefully considered and calibrated so as to assess sentiment and instil confidence. "In this context, the Reserve Bank has been taking several calibrated measures over the past few days to ensure that financial markets and institutions remains sound and resilient and also to build confidence more generally in the financial system. In fact, the lack of response to our seven-day repo auction of Rs 25,000 crore, which was conducted on March 13, has reassured us that domestic liquidity conditions remain comfortable," he said, taking stock of the financial sector's condition.

"The level of forex reserves, as you'd be aware, remains comfortable to meet any exigency based on the current evaluation of domestic financial conditions," he said. The rupee also plummeted 50 paise to 74.25 against the US dollar Monday on capital outflows and foreign investor selling.

Das said the Indian economy is likely to take a hit due to the coronavirus impact.

"The growth momentum in India also would be impacted somewhat... (while) going into the monetary policy meeting as and when it is held, we will take a clearer view of the impact of the global slowdown on the Indian economy. So, I would like to say that the second round effects of pandemic could operate through the slowdown in global growth. Already sectors such as tourism, airlines, the hospitality industry and domestic trade and transport are suffering a loss of activity," the Reserve Bank Governor said.

'Domestic air passenger traffic may fall by up to 50%

The domestic air passenger traffic may de-grow as much as 50 per cent up to at least June amid the coronavirus outbreak, Acuite Ratings and Research said in a report



Load factor: Load or seat factor is a measure of how much of an airline's passenger carrying capacity is used or average percentage of seats filled in an aircraft

86.16%: SHARE OF LOAD FACTOR ACCOUNTED FOR BY FIVE MAJOR LOCAL CARRIERS IN JANUARY

16-23%: Range in which domestic traffic during the March-May period has historically grown, except last year when Jet Airways ceased operations around the same period

114: number of coronavirus cases in India so far, with one new case each in Ladakh, Odisha, Jammu and Kashmir, and Kerala, Health Ministry officials said on Monday

50-60%: EXPECTED DECLINE IN SEAT FACTOR OF AIRLINES OVER NEXT THREE MONTHS, WITH FALL IN PASSENGER VOLUME

2.2%: Growth in domestic passenger traffic in January, as per the latest data from Directorate General of Civil Aviation

BLANKET BAN OF ENTRY OF FOREIGN NATIONALS: India has put a blanket ban on the entry of foreign nationals to its territory and, on March 12, suspended visas of all foreign nationals till April 15. Earlier, such a measure was limited only to the nations most affected by coronavirus

World airlines staring at losses: With global travel bans due to the pandemic, many airlines across the world are staring at massive losses and fear going bust

Source: Acuite Ratings & Research/PTI

ON WARFOOTING

SAT to hear urgent matters only till Mar 27

New Delhi: The Securities Appellate Tribunal (SAT) on Monday said it will hear only urgent matters and restricted courtroom access till March 27 in wake of the coronavirus pandemic. The tribunal said it will sit from 11.30 am to 4.30 pm. "In order to ensure that the court room is not overcrowded, no person except advocates, CA and authorised representative and one representative of the litigant shall ordinarily be permitted in the courtroom," an SAT order said. All stakeholders have been asked not to crowd the passage, courtrooms and other areas of the tribunal, it added. **PTI**

'You will see prompt action when we need'



Andrew Bailey, BoE Governor. *Reuters*

New Delhi: New Bank of England (BoE) Governor Andrew Bailey promised that the central bank would deliver further "prompt action" when needed to help Britain's economy weather the coronavirus outbreak, adding that BoE was "very keen" to ensure short-term damage to the economy did not damage Britain's longer-term prospects. **REUTERS**

IMF chief: Twenty nations seek aid, need coordinated spending

REUTERS
WASHINGTON, MARCH 16

INTERNATIONAL MONETARY Fund (IMF) Managing Director Kristalina Georgieva on Monday said 20 additional countries have asked about receiving aid from the global lender as the coronavirus pandemic halts economic activity, and she called for strong, coordinated fiscal stimulus to limit the damage. In a blog post on the IMF website, Georgieva said the Fund was ready to mobilise its full \$1 trillion lending capacity to help member countries deal with the crisis.

She did not identify the countries that have expressed interest in new financing programmes. Iran last week said it was seeking an emergency loan from the IMF. "As the virus spreads, the case for a coordinated and synchronized global fiscal stimulus is be-



Kristalina Georgieva, IMF MD. *Reuters File Photo*

coming stronger by the hour," Georgieva said.

The IMF chief issued her message shortly before she was due to participate in a call with leaders of the G7 democracies, several of which are battling severe coronavirus outbreaks.

Georgieva, in her blog, suggested that coordinated fiscal action on the scale of the 2008-2009 financial crisis may be necessary.

Macroeconomic outlook vulnerable to disruption of trade with China: Thakur

ENSE ECONOMIC BUREAU
NEW DELHI, MARCH 16

THE GOVERNMENT ON Monday said India's near-term macroeconomic outlook is vulnerable to disruption of trade with China due to the coronavirus outbreak. The virus has already caused massive disruption across the world, forcing airlines to reduce flights and adversely affecting a range of businesses globally and in India.

"As is true for the world at large, India's near-term macroeconomic outlook is also vulnerable to disruption of trade with China and second-round effects arising from expected slowdown in global growth," Minister of State for Finance Anurag Thakur said in a written reply to a question in the Lok Sabha. However, the latest available data on trade and domestic output indicators do not suggest any immediate adverse impact on the economy, he added.

"Additionally, a positive impact on India's economy may arise

from decline in global oil prices triggered by the outbreak of COVID-19," Thakur added.

Slump in oil prices has enabled the government to raise duties on petrol and diesel, allowing it to raise resources that would help in containing the fiscal deficit.

However, falling oil prices also result in lower remittances from overseas and global wealth funds, pruning their investments into India. The coronavirus outbreak, first in China and now having been confirmed in more than 100 countries, has emerged as a key risk to human health as well as global growth outlook through numerous channels like trade, production and supply chain disruptions as well as decline in demand. The virus has affected over 100 people in India, leading to shutdown of schools, colleges, malls and cinemas in many parts of the country.

Thakur said that the Ministry of Health and Family Welfare has been coordinating the efforts of the central government in terms

of preparedness, control and containment measures and working with state governments in order to mitigate the impact of the virus outbreak in India. In order to address the possibility of trade-induced adverse impact on the economy, the government is constantly engaging with export promotion councils and trade bodies, particularly in pharmaceutical, electronics and automobile sectors where the supply chains are sourcing imports from China.

These agencies, Thakur said, have been put in touch with Indian Missions abroad to secure and transport inventories available with the existing suppliers.

Indian Missions abroad have also been asked to explore alternative sources of supply of raw materials in their respective countries for supporting India's domestic production. The Reserve Bank of India on Monday announced measures to inject dollar and rupee liquidity in the Indian markets to ensure that financial system functions smoothly.

Oil slumps 11% to below \$30/bbl; Global markets tumble

REUTERS
NEW YORK/LONDON, MARCH 16

OIL PRICES fell below \$30 a barrel on Monday as the worldwide coronavirus outbreak worsened over the weekend, leading governments and businesses to shut down as the global economy appeared to be headed toward certain recession.

At the same time, Saudi Arabia reiterated its plans to boost production in response to a developing price war with its rival Russia after efforts to restrict supply failed earlier this month. The coming flood of supply could result in the largest surplus of crude in history, analysts said. Brent crude was down \$3.75,

or 11.1 per cent, to \$30.10 a barrel by 1:26 p.m. EDT (1726 GMT). The international benchmark earlier fell to \$29.52 a barrel, its lowest since January 2016.

US West Texas Intermediate (WTI) crude fell \$2.45, or 7.7 per cent, to \$29.28 a barrel. With Saudi Arabia and Russia pledging to boost production, IHS Markit estimates that the oversupply could come to 800 million to 1.3 billion barrels of oil — two to three times what existed in late 2015 to early 2016, when the Organization of the Petroleum Exporting Countries opened the taps to hamstringing the US shale industry.

Earlier this month OPEC and Russia failed to extend production cuts that began in January 2017, aimed at supporting prices and



A board showing the index at Hong Kong Stock Exchange. *AP*

lowering stockpiles. An OPEC and non-OPEC technical meeting planned for Wednesday in Vienna has been called off as attempts to mediate between Saudi Arabia and Russia after the collapse of their supply cut pact made no progress, sources said.

Meanwhile, markets reeled on Monday, with stocks on Wall

Street tumbling more than 10 per cent, as the Federal Reserve's second emergency rate cut in as many weeks to blunt the economic impact of the coronavirus failed to calm fears of a prolonged recession. The S&P 500 plunged 8 per cent shortly after the open to trigger another automatic 15-minute halt in trading on the three

main US stock indexes. The halt was the fourth emergency pause on Wall Street in six days. Volatility gauges known as fear indexes jumped, with the Euro STOXX 50 in Europe surging almost 28 per cent to an all-time high and the CBOE Market Volatility index soaring more than 30 per cent as equity markets plunged further into bear territory. MSCI's gauge of stocks across the globe shed 5.66 per cent and the pan-European STOXX 600 index lost 4.82 per cent as stock markets pared initial deeper losses.

On Wall Street, the Dow Jones Industrial Average fell 1,643.96 points, or 7.09 per cent, to 21,541.66. The S&P 500 lost 177.67 points, or 6.55 per cent, to 2,533.35 and the Nasdaq Composite

dropped 519.56 points, or 6.6 per cent, to 7,355.32. There were moves in Europe to curb short-selling of stocks as bond markets tried to juggle both the risk to vulnerable countries but also a fiscal spending splurge might impact safe-haven debt. Benchmark 10-year Treasury notes last rose 42/32 in price to yield 0.8193 per cent.

MSCI's index of Asia-Pacific shares outside Japan tumbled 5.2 per cent to lows not seen since early 2017, while the Nikkei fell 2.5 per cent as the BoJ's easing steps failed to reassure markets. In Asia, Shanghai blue chips fell 4.3 per cent overnight even as China's central bank surprised with a fresh round of liquidity injections. Hong Kong's Hang Seng index tumbled 4 per cent.

G7 pledge to 'do whatever it takes' to safeguard economy

Washington: Leaders of the G7 advanced economies on Monday pledged to use all their tools to safeguard the economy and help workers hurt by the coronavirus pandemic. "We resolve to coordinate measures and do whatever it takes, using all policy tools, to achieve strong growth in the G7 economies and to safeguard against downside risks," the leaders said in a statement following an emergency videoconference. **AFP**