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Business Standard

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CONGRESS GETS A BREATHER AS MP HOUSE ADJOURNED TILL MARCH 26

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FRANCE SLAPS APPLE WITH RECORD $1.2-BILLION FINE

PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI (ALSO PRINTED IN BHOPAL), NEW DELHI AND PUNE

THE MARKETS ON MONDAY

		Chg#
Sensex	31,390.1▼	2713.4
Nifty	9,197.4▼	757.8
Nifty futures*	9,118.5▼	79.0
Dollar	₹74.3	₹73.9**
Euro	₹82.9	₹82.6**
Brent crude ($/bbl)##	29.3##	33.6**
Gold (10 gm)###	₹39,835.0▼	₹2014.0

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

ED SUMMONS ANIL AMBANI, SUBHASH CHANDRA AND NARESH GOYAL IN YES CASE

The ED has issued summons to a clutch of borrowers to YES Bank, including Essel group Chairman Subhash Chandra, Jet Airways founder Naresh Goyal, Cox & Kings promoter Peter Kerkar, and DHFL promoter Kapil Wadhawan, in connection with the money laundering probe against Rana Kapoor. Besides, it has issued fresh summons to Reliance Group Chairman Anil Ambani. 4▶

KAPOOR'S CUSTODY EXTENDED TILL MARCH 20 4▶

ECONOMY & PUBLIC AFFAIRS P6
WPI inflation declines to three-month low

The wholesale price inflation rate fell to a three-month low of 2.26 per cent in February, against 3.1 per cent in January, because of a fall in the prices of food items, petrol, and diesel. The data released last week also showed that the CPI-based inflation declined to 6.58 per cent from 68-month high of 7.59 per cent.

COMPANIES P2
CCD asset monetisation plans may face hurdle

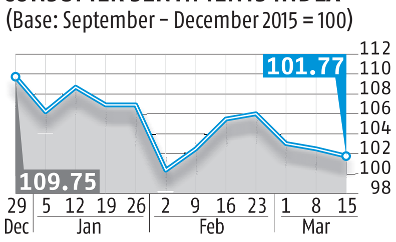
Coffee Day Enterprises (CDEL) is likely to face stumbling blocks in its asset monetisation efforts, with reports surfacing ₹2,000 crore of cash from the books of accounts were missing. However, people close with the matter said promoters' group was likely to come up with some mitigation measures, including paying for the short fall in funds over a period of time.

Govt nominates ex-CJI Gogoi to Rajya Sabha

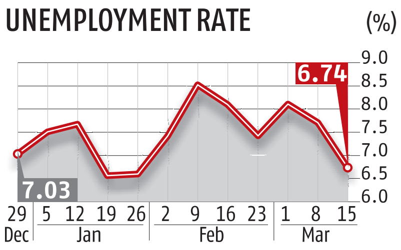
The government on Monday nominated former Chief Justice of India (CJI) Ranjan Gogoi to Rajya Sabha. A notification to this effect was issued by the Ministry of Home Affairs. The vacancy was created due to retirement of KTS Tulsi. Gogoi headed a five-judge bench that gave the verdict on the sensitive Ayodhya land dispute on November 9. He retired as CJI later in 2019.

THE CMIE TRACKER

CONSUMER SENTIMENTS INDEX
(Base: September - December 2015 = 100)



UNEMPLOYMENT RATE (%)



Source: CMIE

A THIRD SHOCK 8▶

Markets on crash course

▶ INDICES' FALL WIPES OUT ₹7.6 TRN M-CAP; INDIA VIX INDEX SOARED 14% TO 58.9

▶ GLOBAL SELL-OFF RESUMES EVEN AS FED CUTS RATES TO ZERO

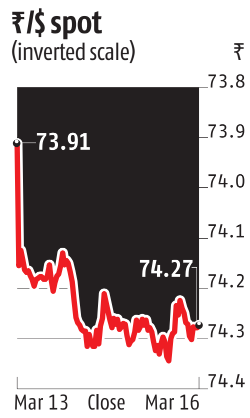
▶ RUPEE AT 15-MONTH LOW OF 74.27 AGAINST THE US DOLLAR

SUNDAR SETHURAMAN
Mumbai, 16 March

The benchmark indices tanked on Monday, re-entering "bear market" territory, amid concerns that the coronavirus outbreak was increasingly making the prospect of a global recession unavoidable. The Nifty 50 index plunged 646 points, or 7 per cent, to close at 9,309. The Sensex dropped 2,713 points, or 8 per cent, to end at 31,390 — the lowest close since October 2017. The fall wiped out ₹7.6 trillion of market cap. From the peak, India's market cap has declined by ₹37.7 trillion. The rupee fell 0.5 per cent to end at a 15-month low of 74.27 against the US dollar.

All the sectoral indices of the BSE and all Sensex components ended with losses on Monday. The India VIX index, a gauge for market volatility, soared 14 per cent to 58.9, highest levels since August 2009. Metal and finance stocks led the latest fall, with their sectoral indices dropping 9.3 per cent and 8.3 per cent, respectively. YES Bank was the only Nifty stock to end with gains. The stock rose a 45 per cent after the government announced a three-year lock-in on its shares. Most Asian peers fell around 3 per cent, while European markets slid over 8 per cent during India market hours. The futures on the S&P 500 Index had hit 'down limit' even as the US Federal Reserve cut rates to zero.

₹/$ spot
(inverted scale)



On Sunday, the US central bank slashed interest rates by 100 points to near zero and said it would boost its bond holdings by $700 billion. Other central banks including the Reserve Bank of India (RBI) promised "whatever it takes" approach to fend off the economic crisis, caused by lockdowns and strict social distancing measures.

"There is a fear of how bad it is becoming and will it lead to a recession as everyone is in a lockdown mode. The hit is going to be quite big," said Andrew Holland, CEO, Avendus Capital Alternate Strategies.

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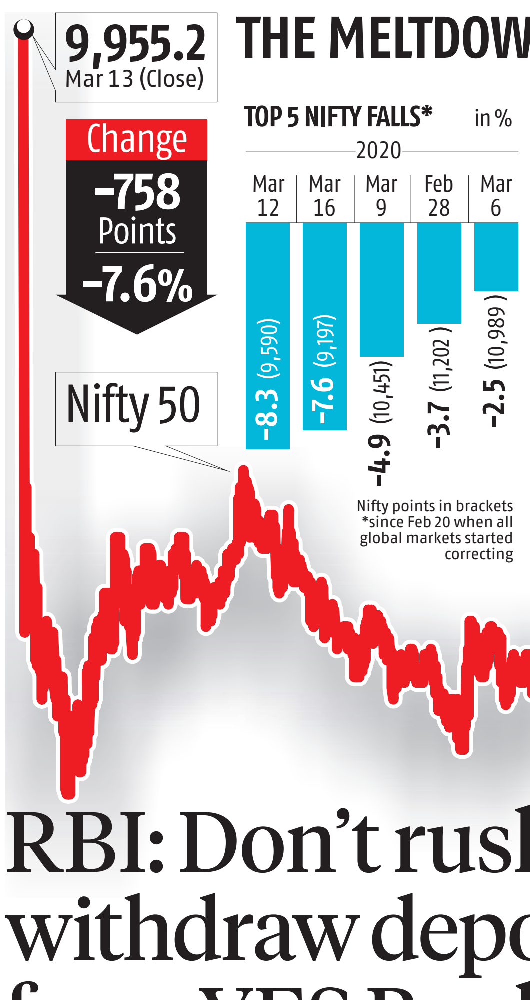
THE MELTDOWN



WORLD EQUITY INDICES

Name	Mar 16	1D % chg
AMERICA 12.50 am		
DOW JONES	20,977	-9.52
NASDAQ	7,173	-8.91
S&P 500	2,476	-8.65
EUROPE		
CAC 40	3,881	-5.75
FTSE 100	5,151	-4.01
DAX	8,742	-5.31
ASIA		
BSE SENSEX	31,390	-7.96
Straits Times	2,496	-5.25
HANG SENG	23,064	-4.03
KOSPI	1,715	-3.19
NIKKEI 225	17,002	-2.46

Source: Bloomberg
Compiled by BS Research Bureau

RBI: Don't rush to withdraw deposits from YES Bank

ANUP ROY
Mumbai, 16 March

Reserve Bank of India (RBI) Governor Shaktikanta Das said deposits in YES Bank were safe, after announcing long-term repo operations (LTRO) of ₹1 trillion to infuse liquidity in the banking system and, of another round of dollar sell-buy swaps to address the currency's shortage. Bond yields had fallen sharply in the day, reacting to the hastily called press conference by the Indian central bank after its American counterpart lowered its policy rate to zero.

The expectation was that RBI, too, would announce a rate cut, besides other measures by banks to ease the pain of businesses witnessing a slowdown due to COVID-19. Nothing of that sort happened. Ten-year bond yields had dipped to 6.12 per cent around 1 pm, from the previous close of 6.32 per cent. These climbed to close the day at 6.21 per cent, as no rate cut came.

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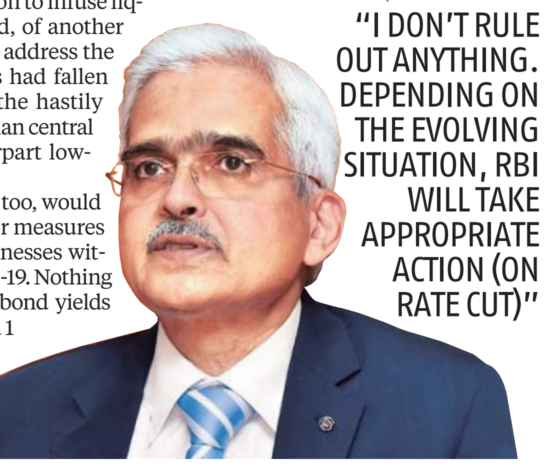
SHAKTIKANTA DAS
RBI Governor

"I DON'T RULE OUT ANYTHING. DEPENDING ON THE EVOLVING SITUATION, RBI WILL TAKE APPROPRIATE ACTION (ON RATE CUT)"



Inside

DoT moves SC for AGR relief to telecom cos

20-yr staggered payment, waiver of interest, fines proposed; today's crucial SC hearing may be postponed

MEGHA MANCHANDA
New Delhi, 16 March

Within days of the Union Cabinet taking up a relief proposal for the battered telecom industry, the government has submitted a plea to the Supreme Court seeking significant concessions for telcos, changing the contours of the long-winding dispute over what constitutes adjusted gross revenue (AGR) and the associated liabilities of the operators. The move by the Department of Telecommunications (DoT), seeking a 20-year staggered payment of the dues linked to AGR along with a waiver of interest and penalty, has brought cheer to the sector, especially Vodafone Idea which has been on the brink of a collapse, executives and analysts said. This also implies that the government would receive a fraction of its earlier estimates of ₹1.47 trillion as AGR-linked dues from the telecom industry.

The Cellular Operators Association of India (COAI), representing the telecom industry, has called it a "comprehensive petition". COAI director general Rajan Mathews told *Business Standard*, "We are very grateful to DoT for helping us. We continue to seek reduction in the licence fee and spectrum usage charge from the government."

VALIDITY OF LICENCES
Number of licences expiring

Expiry year	Airtel	Vodafone Idea	Tata Tele
2021	8		4
2024	6		12
2033		22	
2034	6		
2035	2		
2036			3

Source: Industry estimates

A crucial SC hearing, scheduled for March 17 (Tuesday), on a modification petition filed by Bharti Airtel and Vodafone Idea asking for relaxations in AGR payments may, however, be deferred. The court is hearing only a few select cases currently due to the coronavirus threat. The DoT, in its prayer to the SC, has sought recovery of dues from the telecom companies in compliance with the court order of October 24, 2019. Clarifying its position for the first time, the DoT has said that telcos would not be required to pay interest, penalty and interest on penalty as on the date of the SC judgement.

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VODA IDEA PAYS ANOTHER ₹3,300 CR TO TELECOM DEPT

Vodafone Idea on Monday said it has paid ₹3,354 crore to the department of telecommunications (DoT) as part payment of its adjusted gross revenue (AGR) dues. This comes barely a day before the Supreme Court hears the case (on March 17). In its self-assessment of AGR liabilities, submitted to DoT, Vodafone Idea said the company owes ₹6,854 crore as principal amount from FY07 to FY19. The firm had earlier paid a sum of ₹2,500 crore on February 17, and a further ₹1,000 crore on February 20 towards this liability. 2▶

IBA TRIES TO OVERCOME THE STUMBLING BLOCKS

The Indian Banks' Association (IBA) has asked the Department of Telecommunications (DoT) to push the Reserve Bank of India (RBI) to consider spectrum licence as a 'secured asset' and al-so allow 'carved out resolution' of various components of the telecom service providers' operations under the IBC or outside the process. Under the existing rules, the resolution is for the entire firm which could include spectrum, tower, and real estate among others.
SURAJEET DAS GUPTA writes 2▶

India bans air travel from UK, Europe

ANEESH PHADNIS
Mumbai, 16 March

117 INDIA CASES	2 INDIA DEATHS	174,100 GLOBAL CASES	7,000 GLOBAL TOLL

The Directorate General of Civil Aviation on Monday ordered suspension of all passenger traffic from Europe from Wednesday till March 31 to stop the spread of COVID-19. "Travel from member countries of the European Union, the European Free Trade Association, Turkey, and the United Kingdom to India is prohibited with effect from March 18. The airline shall enforce this at the point of initial departure. Both these instructions are temporary measures and shall be in force till March 31 and will be reviewed subsequently," Deputy Director General Sunil Kumar said in a circular.

CORONAVIRUS PANDEMIC

The order applies to both Indian and European airlines and also those from West Asia, which carry traffic via Dubai, Abu Dhabi, or Doha. The government's latest directions comes as deaths spike in European countries — Italy said 349 were dead on Monday, a day after reporting 368 deaths. The US government, too, suspended all passenger movement to and from the European Union.

At present, Air India is the only Indian carrier operating to Europe while IndiGo flies to Turkey. Currently, Alitalia, Air France, British Airways, Lufthansa, KLM, Swiss, Turkish Airlines, and Virgin Atlantic are operating their flights to India, while Finnair and LOT Polish Airlines have suspended their schedules.

Last week, India suspended most categories of existing visas and advised citizens against travelling abroad while various countries too have restricted travel and closed borders. The Mumbai police, too, has ordered tour operators from organising group tours.

Some hotels turn into quarantine spots

COVID-19 has hit the global tourism industry. Analysts say occupancy levels across hotels in the country have dipped to 30-32%. But a limited number hotels near the airports in Delhi and Mumbai have started getting some guests — albeit, those that are being mandatorily sent by the governments. Since Sunday night, these new quarantine spots are being used for passengers from seven high-risk countries — China, Italy, Iran, South Korea, France, Germany, and Spain — as part of new protocol to fight COVID-19. On Monday, the list was expanded to include flyers from UAE, Qatar, Oman, and Kuwait. 14▶

IMF: Need for coordination

The IMF on Monday called for increased coordinated action amidst fast spread of coronavirus. "Many governments have taken significant steps. But even more needs to be done. Increased coordinated action will be key to boosting confidence and providing stability to the global economy," said MD Kristalina Georgieva.

349 new deaths reported by Italy

Italy reported 349 new deaths on Monday, taking its total since last month to 2,158, the most after China. The number of official COVID-19 fatalities has more than doubled since Thursday, when Italy's toll topped 1,000 for the first time. Italy now has 27,980 infections, compared to 15,113 four days ago. AFP/PTI

New rules set to clamp down on CSR work through trusts

RUCHIKA CHITRAVANSHI
New Delhi, 16 March

The government has made the norms for corporate social responsibility (CSR) more stringent. In new draft rules, greater onus has been put on companies for reporting details of their CSR activities and how such funds are used. The corporate affairs ministry has invited public comments on the draft rules by March 28.

The proposed rules would not allow trusts and societies to undertake any CSR activities. The government wants to restrict such spending only through a company itself, an official pointed out. "Any entity established under an act of Parliament or a state legislature" can also take up CSR, according to the draft rules.

This would mean that while entities such as Tata Trusts or Aditya Birla Group trusts can continue to do charitable work, the group firms cannot undertake CSR activities through the trust route, a company law expert said. Trusts and societies are regulated to a very limited extent, which may reduce accountability of CSR activities. "Some companies try to misuse rules and set up dummy trusts... These rules are based on learnings from such practices to make the system clean," said Lalit Kumar, partner, JSA.

The proposed rules also suggest a new definition of CSR, excluding activities in pursuance of normal course of business or by companies outside India. Any contribution made to a political party would not count as CSR nor will any activity that significantly benefits more than 25 per cent of the employees of a company and their families.

WHAT ELSE DO THE NORMS PROPOSE

- **Contributions made** to political parties would not count as CSR activity
- **Report details of CSR amount spent** or unspent for preceding three financial years
- **CFO must certify CSR funds** were utilised for purpose approved by the company's board
- **Surplus arising from CSR** should be ploughed back into the same project
- **Set up national CSR fund** to aid Centre's projects such as Swachch Bharat, relief fund

Companies will now be required to submit a much more comprehensive form providing details of not just ongoing projects, but others as well. The reporting is not limited to the current financial year but extends to previous financial years too.

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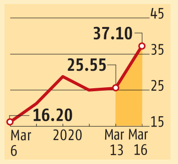
STOCKS IN THE NEWS

YES Bank

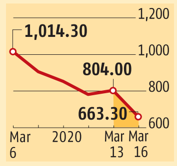


To resume full banking services from March 18

₹37.10 CLOSE

▲45.21% UP*

IndusInd Bank

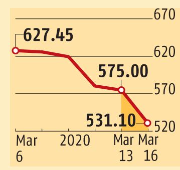


Top loser among the S&P BSE Sensex stocks

₹663.30 CLOSE

▼17.50% DOWN*

Alembic Pharmaceuticals

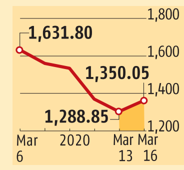


USFDA issued four observations for Panelav facility

₹531.10 CLOSE

▼7.63% DOWN*

PVR

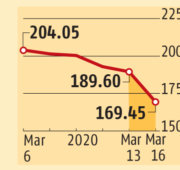


Analysts believe Covid-19's impact will be limited

₹1,350.05 CLOSE

▲4.75% UP*

Wonderla Holidays



Temporarily closed because of coronavirus

₹169.45 CLOSE

▼10.63% DOWN*

*OVER PREVIOUS CLOSE

IN BRIEF

TVS supply chain unit to mop up $100 mn from Gateway Partners

Private equity firm Gateway Partners has committed to acquire minority stake in TVS Supply Chain Solutions (TVS SCS) for $100 million. The deal is the second-largest private equity investment in TVS SCS after North America's major pension fund manager CDPQ, which had invested $155 million in TVS SCS in 2016. This investment involves both primary portion and secondary element, the company said on Monday. According to sources, the investor is taking around 15 per cent stake, which value the company at a billion dollar. R Dinesh, managing director, TVS SCS, said, "We are glad to have Gateway Partners as a strategic investor. TVS SCS has been growing significantly both in domestic and international operations, thanks to our customer focused approach and digital capabilities that we acquired over the years. **T E NARASIMHAN**

Siam files plea in Supreme Court on BS-IV deadline

The Society of Indian Automobile Manufacturers (Siam) has filed an application in the Supreme Court seeking directions to ensure that sale or registration of BS-IV vehicles are allowed till the cut-off date of 31st March 2020, Siam said on Monday. **BS REPORTER**

Bajaj Auto launches BS-VI range of three-wheelers

Bajaj Auto said it launched its BS-VI range of commercial vehicles across brands — RE, Maxima and Maxima Cargo. The firm has launched 14 BS-VI compliant products across the RE, Maxima and Maxima Cargo brands and thus transitioned to BS-VI regime for the entire three-wheeler range, Bajaj Auto said. **PTI**

HMSI sells 550,000 units compliant with BS-VI

Honda Motorcycle & Scooter India (HMSI) on Monday said it has sold over 550,000 units of BS-VI compliant vehicles till date. The company currently has six BS-VI-compliant models — Activa 125 SP 125, Activa 6G, Shine, Unicorn and Dio — available in the market. **PTI**

CCI imposes ₹302 cr penalty on Grasim Industries

The Competition Commission has slapped a penalty of ₹302 crore on Grasim Industries for abusing its dominant position with respect to supply of a certain staple fibre to spinners. Besides, the company has been directed to "cease and desist" from indulging in anti-competitive practices. **PTI**

Alembic receives observations for Gujarat facility

Alembic Pharmaceuticals said that US health regulator has conducted an inspection at it Panelav facility in Gujarat and issued Form 483 with four procedural observations. "The USFDA conducted an inspection at Alembic Pharmaceuticals general oral solid formulation facility located at Panelav from 9-13 March," the drug firm said. **PTI**

We're working on premium SUV, MPV, says Hyundai India

Hyundai is preparing to have a crack again at the premium SUV segment in India as part of plans to strengthen leadership in the segment, according to a top company official. The company is also planning to bring "multi-seater high occupancy vehicle" to play in the multi-purpose vehicle segment. **PTI**

Lockheed Martin appoints Taiclet as new CEO

Lockheed Martin has named James Taiclet as the chief executive of the world's biggest defence company to replace Marillyn Hewson, the firm said. He will begin his term on June 15. **AFP**

30% offices in NCR, Mumbai need upgradation: JLL

Nearly 30 per cent of office buildings in Mumbai, Delhi-NCR and Bengaluru are at least a decade old and need refurbishment that may cost about ₹5,500 crore, according to property consultant JLL India. **PTI**

Lifestyle International appoints former Flipkart executive as CEO

Lifestyle International, part of Dubai-based hospitality conglomerate Landmark Group, has appointed former Flipkart top executive Rishi Vasudev as the chief executive officer for Lifestyle and Home Centre. Vasudev, who till December was responsible for the expansion of the fashion vertical, both at Flipkart and Myntra, will take on his new role from June 1, 2020, in the company. He will succeed Vasanth Kumar towards ensuring a seamless leadership transition. Kumar is transitioning from his full-time role as Managing Director, effective June 30, 2020. "We are delighted to welcome Rishi (Vasudev) on board. His experience in fashion and consumer understanding will be a great asset to our business," said H. Ramanathan, Chairman of the Board – India, Lifestyle International. **PEERZADA ABRAR**

₹2,000 cr missing from Coffee Day accounts

Company's asset monetisation move may face hurdles

DEBASIS MOHAPATRA & BIBHU RANJAN MISHRA
Bengaluru, 16 March

Coffee Day Enterprises (CDEL) is likely to face stumbling blocks in its asset monetisation efforts, with reports surfacing that ₹2,000 crore of cash from the books of accounts were missing. However, sources said promoters' group was likely to come up with some mitigation measures, including paying for the shortfall in funds over a period of time.

"The company doesn't have the report yet, which is expected by the end of this month. In case of any shortfall, the promoters' family is likely to step in and compensate for the shortfall," said sources familiar with the development.

"It is likely to happen over a period of time," the person said.

According to a media report on Sunday, an investigation by the board after the death of founder V G Siddhartha is likely to conclude that around ₹2,500 crore is missing from CDEL's accounts. The draft report has also found out several transactions between the founder's listed and personal businesses, which were not conducted at arm's length, the report stated.

Usually, instances of missing cash and related party transactions lead to restatement of books of accounts apart from creating liabilities for the board and the auditor. However, sources said restatement of accounts might not be required as CDEL has only provided unaudited numbers for the past two quarters of the ongoing financial year. "We will inform the regulators about the findings of the report once it is out," said a source in the company.

PAYING THE PRICE

- Investigation report expected to be submitted by March-end
- Report likely to establish missing cash, related-party transactions
- This could potentially lead to scrutinisation of past board decisions
- Promoter's family likely to play white knight to compensate for any shortfall

The company, in response to a detailed mail, said, "The promoter family was not involved in the business at the time of V G Siddhartha's untimely demise. They stepped in to assume responsibility of the large and diversified business on the fifth day of the tragedy."

The company statement also said the promoter family and management were fully cooperating with the investigation but oblivious to its outcome as their priority is to keep the business running in a challenging environment and meet all stakeholder commitments.

Meanwhile, CDEL has taken various measures to monetise its assets in order to pare its total debt, which stood at ₹4,970 crore by the end of July last year.

It is learnt to have received the first tranche of payment from private equity major Blackstone and realty firm Salarpuria Sattva Group as part of its agreement to sell Global Village Tech Park. "There are serious interests from private equity majors such as Warburg Pincus and Goldman Sachs in CDEL's retail and vending businesses. The company is likely to close a deal soon," said a source.

Currently, trading in CDEL's shares remains suspended as the company was not able to submit its audited financial statements in time.

The company has sought more time from regulators for submission of audited results citing non-completion of internal investigations.

In August last year, the company has assigned Ashok Kumar Malhotra, retired DIG of the Central Bureau of Investigation to investigate into the purported letter written by V G Siddhartha. He was also assigned to scrutinise the books of accounts of the company with the help of an accounting firm.

AGR CASE

Voda Idea pays another ₹3,354 crore to DoT

Company owes ₹6,854 crore as principal amount for FY07-19

MEGHA MANCHANDA
New Delhi, 16 March

Vodafone Idea on Monday said it has paid ₹3,354 crore to the department of telecommunications (DoT) as part payment of its adjusted gross revenue (AGR) dues.

In its self-assessment of AGR liabilities, submitted to DoT, Vodafone Idea said the company owes ₹6,854 crore as principal amount for FY07-FY19.

The company had earlier paid a sum of ₹2,500 crore on February 17, and a further ₹1,000 crore on February 20 towards this liability.

Vodafone had earlier made a strong plea for setting off ₹8,000 crore of goods and services tax (GST) credit.

It also sought a three-year moratorium on payment of the remaining amount (which should be staggered over 15 years at a simple interest rate of 6 per cent), drastic cut in licence fee and fixing of a minimum price for calls and data.

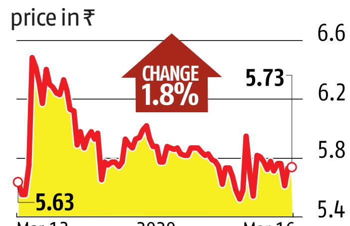
The company is desperately seeking relief. This can be gauged from the fact that Vodafone Group chief executive officer (CEO) Nick Read met Finance Minister Nirmala Sitharaman and telecom minister Ravi Shankar Prasad during his short trip to India earlier this month.

While Read offered "no-comments" after his meeting with Prasad, sources at DoT indicated that the company was "positive" about its stay in India.

The company had paid ₹2,500 crore on February 17, and ₹1,000 crore on February 20 towards AGR dues

A top DoT official had also said, "We want Vodafone Idea to stay invested in India. This is because after the digital push by the government, there is enormous business opportunity in India.

STOCK UP
price in ₹



Compiled by BS Research Bureau
Source: Bloomberg

But there is a need for the company to upgrade technology."

Vodafone Plc holds 45 per cent stake in Vodafone Idea, while Idea holds a little over 25 per cent and remaining shareholding is public.

In December, Kumar Mangalam Birla, chairman of Vodafone Idea, had said it may have to shut if there is no relief on statutory dues. "If we are not getting anything, then I think it is the end of the story for Vodafone Idea," Birla had said. "It does not make sense to put good money. We will shut shop," he had added.

Vodafone Plc holds 45 per cent stake in Vodafone Idea, while Idea holds a little over 25 per cent and remaining shareholding is public

On February 14, the Supreme Court rejected a plea by companies such as Bharti Airtel and Vodafone Idea for extension in the payment schedule.

It asked all of them to deposit an estimated ₹1.47 trillion in past dues for spectrum and licences.

It threatened to initiate contempt proceedings against top executives of these firms for non-payment.

In all, as many as 15 entities owe the government ₹1.47 trillion — ₹92,642 crore in unpaid licence fee and another ₹55,054 crore in outstanding spectrum usage charges.

Last October, the Supreme Court had upheld the government's definition of AGR, by which it calculates levies on telecom operators.

Telcos' stressed assets: IBA tries to overcome the stumbling blocks

SURAJEET DAS GUPTA
New Delhi, 16 March

The Indian Banks' Association (IBA) has asked the Department of Telecommunications (DoT) to push the Reserve Bank of India (RBI) to consider spectrum licence as a 'secured asset' and also allow 'carved out resolution' of various components of the telecom service providers' operations under the IBC or outside the process. Under the existing rules, the resolution is for the entire firm which could include spectrum, tower, and real estate among others.

The IBA's request highlights the roadblocks in resolving stress assets in this sector under the IBC, a fact reflected in the challenges faced both in the Aircel and Reliance cases, both of which are still awaiting completion of the process of finding buyers.

It has also raised concerns about the growing stress of the banks in lending to this sector and its adverse impact on them. On the issue of spectrum holding, banks point out that before liberalisation of spectrum, a tripartite agreement between the DoT, the lender, and the operator allowed the lenders to step in if the operator defaulted.

However, under the unified licensing scheme, only the DoT had the right to revoke or suspend the licence granted to the operator which included liquidation as well as the order to wind up. There is lack of clarity on the treatment of such spectrum on transferring it to the buyer at the time of sale in IBC process, according to the IBA.

The IBA points out that in the Aircel case, for example, the DoT has challenged the powers of the Resolution Professional (or liquidator), saying that ownership of spectrum continues with the DoT and that only the right to use it remains with the telco. This substantially erodes the value of the telecom service provider up for sale.

The National Company Law Tribunal, however, has recently ruled that the spectrum licence cannot be cancelled by the DoT during the moratorium period under the IBC. Based on this contention, banks point out that there is now merit in considering the value of spectrum as a tangible asset.

Such a move will give banks relief

in terms of provisioning. Also, no telco would buy a passive asset without possessing the spectrum. Nonetheless, the banks point out that there needs to be clarity on the legal position of the DoT on assets and whether it has limited or limitless right. The IBA also points out that one consequence of litigation with the regulator is that most of the telcos in the IBC have huge contingent liabilities which makes it difficult for an RP to ascribe a value for the company and this in turn acts as a dampener to a potential buyer.

It is also difficult to take control over assets which are spread over thousands of locations as most of them are rented and following the exodus of employees, especially during liquidation.

Another problem is that the value of spectrum in the IBC fetches a very low value, far lower than the market value because the original price was based on a period when there were more than 10 operators, leading to huge competition of scarce resources. Now, with so many telcos closing down, the value of spectrum paid earlier has turned out to be highly over-stated.

The banks have pointed out that, based on RBI data, the total outstanding exposure to the sector by Indian banks is to the tune of ₹130,960 crore as on November 2019. State Bank of India alone has an exposure of ₹67,811 crore. It is a leading lender and its NPAs are to the tune of ₹12,165 crore because of accounts like Aircel, Reliance and Videocon Telecommunications.

Electric two-wheeler sales set to skid, say experts

PAVAN LALL
Mumbai, 16 March

For Okinawa Autotech, a fledgling maker of electric two-wheelers, that started making products a couple of years ago, sales were humming along steadily with numbers of 45,000 units a year and projections of reaching 100,000 in sales by this year.

CORONAVIRUS PANDEMIC

Suddenly, the squeeze of components and parts from China started after the coronavirus outbreak along with stricter norms enforced under FAME 2 by the Centre.

Now, Jeetendra Sharma, the company's managing director (MD), claims that other than battery, everything is locally made and admits that those projections stand corrected.

"We expect to see sales of anywhere between 50,000 and 60,000 by March-end," Sharma says.

Okinawa, which makes a range of more than half a dozen products that start as low as ₹60,000, has production capacity at 90,000 units per annum at its new plant in Alwar, Rajasthan. It has been among the more aggressive players in the electric two-wheeler space with different variants across both low-speed and high-speed vehicles.

Sharma's big plan is to launch an electric motorcycle with a top speed of 120 km. However, that has also been postponed till Diwali as opposed to the June-July time-frame set earlier.

Under the government's national mission on electrification of vehicles (FAME 2), the industry has seen sales of 280,000 units that are dominated by two-wheelers and three-wheelers but there is every indication that a contraction has begun and will be there for a while.

Saket Mehra, partner, Grant Thornton Advisory, says it's time consuming to make ones own electric vehicles from scratch. He adds that many small companies have, over the last eight years, tried to make a go of such products but did not succeed.

A BUMPY RIDE

- **PRICES OF** electric two-wheelers to climb by 10 per cent
- **DELAY OF** key EV model launches expected
- **SUPPLY OF** Chinese electric motors, parts to be delayed

Source: Companies, Grant Thornton

He says, "In the current market, the entire two-wheeler projections are being redone. The impact for all electric two-wheelers, which are imported mostly from China, is that it will lead to price escalation that will be passed onto customers."

Sullaja Firodia Motwani, a two-wheeler veteran and founder of Kinetic Green Energy & Power Solutions, which makes green three-wheelers and small vehicles, says that speed is an integral part of performance for any two-wheeler. "When you make bikes or scooters that are slower than 60 km per hour, it becomes a challenge to go uphill, overtake on long roads, carry two people and so on," she says.

"In addition, making bikes with bigger electric engines that perform well without vibrations has not been easy in the past for indiginous players, although that is slowly changing," adds Motwani.

Any long-term slowdown in two-wheeler sales will not bode well for the national plan to electrify India's vehicles, which are vastly dominated by two and three-wheelers, she says. She goes on to say that in five to 10 years, a large chunk of two-wheelers — with ICE motors — will be replaced by EVs. China's EV-related sales is less than 50 per cent when usually during post the Chinese New year, it's at its highest.

So, there will be a possible 10 per cent to 12 per cent price hike for the electric two-wheeler industry.

"Even a price change of 5 per cent can make a big difference to sales because customers at that segment are highly price sensitive," says Mehra.

Ather Energy, which makes electric scooters and runs a 300-man R&D centre out of Bengaluru, has two scooters – the Ather 450 and the pricier Ather 450 X – launched in January and will start production in July. Most two-wheeler makers rely on China and import knock-down units and powertrains, says Tarun Mehta, Ather's co-founder.

What are Ather's investors looking at, given the market changes? "When something like what is happening right now (coronavirus outbreak) happens, we start to focus on products, customers and our existing technology. We won't introduce new products for at least two years," he says. He adds that in the next five years, the company expects at least 25 per cent of the scooters to go electric.

HAL's turnover to cross ₹20,000 cr in FY20

IAF owes the firm ₹17,000 crore in unpaid bills: MoD

AJAI SHUKLA
New Delhi, 16 March

Hindustan Aeronautics (HAL) on Monday announced the payment of interim dividend of ₹33.25 per share, entailing a payout of around ₹1,000 crore, mainly to the government.

HAL is also poised to scale another summit this year, with its operational turnover for 2019-20 on track to exceed ₹20,000 crore — for the first time ever.

However, HAL has to take a bank loan to pay its interim dividend. That is because its finances are deep in the red because of huge dues from the Indian Air Force (IAF), by far HAL's biggest customer.

Business Standard learns the IAF's dues, which are for aircraft and services already delivered, is likely to be around ₹17,000 crore — only a little less than its entire year's turnover.

Contacted for comments, the IAF did not respond. However, senior air force officials, speaking on condition of anonymity, argued that the dues to HAL are not more than ₹13,600 crore. Furthermore, according to the IAF planners, it is the defence and finance ministries that are holding up payments to HAL.

This unpaid bill reflects a rising trend that is evident in HAL's annual reports. In 2016-17, the IAF's dues to HAL amounted to ₹3,995 crore; in 2017-18 it rose to ₹6,751 crore; in 2018-19 it more than doubled to ₹13,939 crore; and is likely to rise this year by another ₹3,000 crore.

With HAL lacking money for day-to-day production, design and development, and even to pay salaries of employees, the once cash-rich defence public sector undertaking (DPSU) has had to turn to the banks for loans. HAL's past two annual reports paint a picture of financial decline. Bank balances dropped from ₹8,345 crore in 2016-17 to ₹6,433 in 2017-18 to ₹101 crore last year. This year, it will be in negative.

Meanwhile, borrowings have steadily risen. HAL's annual reports reflect borrowings of ₹950 crore in 2016-17, which dipped slightly to ₹764 crore the next year, before zooming to ₹4,058 crore in 2018-19. This year, HAL is learnt to have already borrowed over ₹8,000 crore and this is on course to rise by another ₹1,500 crore for running expenses and dividend payouts.

It is unclear why the IAF has not been clearing its dues to HAL, even while making payments on schedule to foreign vendors such as Dassault. Every financial year since 2017-18, the IAF has been allocated the lion's share of the military's capital Budget: a 40 per cent share in 2017-18 (₹34,917 crore); 40.5 per cent in 2018-19 (₹36,481 crore); 42.5 per cent in the current year (₹44,869 crore).

For the coming year, the IAF has again been allocated 40.5 per cent of the services capital allocation, amounting to ₹43,282 crore.

The firm's annual report for 2018-19 takes note of the dues, but states in its "Significant Accounting Policies" that: "Debts from Government departments are generally treated as fully recoverable and hence the firm does not recognise credit risk of such financial assets. Impairment on account of expected credit loss is being assessed on a case to case basis in respect of dues for a significant period of time."

Even if the IAF's debts are fully recoverable, there are significant financial penalties that HAL is paying as a result of its disrupted cash flows. Prior to 2015, HAL's hefty cash reserves generated income for the company. Today, its balance sheet reflects a growing "cost of finance": ₹10 crore in 2016-17, ₹28 crore in 2017-18, ₹170 crore in 2018-19 and, apparently, an even larger figure in the current financial year.

It is unclear what HAL's board is doing to deal with this problem. A decade ago, the DPSU would have encountered no enquiries, since it was wholly government-owned. Now, however, with disinvestment having placed shareholding partially in public hands, the board is responsible for protecting the financial interests of public shareholders. HAL has not responded to queries from *Business Standard*.

IN THE RED
(₹ crore)

	2016-17	2017-18	2018-19	2019-20*
Revenue from operations	18,554	18,624	19,894	20,500
Payments due (mostly IAF)	3,995	6,751	13,939	17,000
Bank balances	8,345	6,433	101	Negative
Borrowings	950	764	4,058	9,500
Cost of finance	10	28	170	Not known

*Estimations for year ending March 31, 2020
Source: HAL annual reports

India Inc's merger plans take a hit

Buyers may take advantage of the crisis and seek lower valuations

DEV CHATTERJEE
Mumbai, 16 March

The coronavirus pandemic has hit the merger and acquisition (M&A) plans of India Inc hard with the market crash taking a toll on the valuations of most companies.

The unprecedented global ban on flights and self-quarantine after foreign travel are prompting Indian companies to take big decisions on fund-raising as well, say bankers.

Bankers said some big acquisition opportunities are coming up in India. These include sale of 50 per cent stake by the Centre in Bharat Petroleum Corporation (BPCL), 100 per cent sale in Air India and Reliance Industries (RIL's) stake sale in its refining and petrochem business to Saudi Aramco.

CORONAVIRUS PANDEMIC

"Considering that these are cross-border acquisitions with billions at stake, the corona pandemic has come at a wrong time and delayed the timelines," said a banker closely involved in BPCL's disinvestment process.

Apart from the big-ticket acqustions, there are several power projects which are being sold by Indian banks to buyers who, in turn, plan to raise funds from overseas. The initial share sale plans of several companies have been put on the backburner.

The bankers are also worried after two top officials of a conglomerate returned from London last week and had to be quarantined in accordance with the health ministry's guidelines.

M&As will also slow down as business disruption will lead to an adverse impact on the target company's financial position. "However, it would be helpful to check whether these are interim ones or more systemic long-term issues that may require sustained focus and redressal," said Rabindra Jhunjhunwala and Sameer Sah, partners at Khaitan and Company.

Valuations will be hit hard and corporates must be ready as the acquirer will now seek a better price. "Indian businesses, which are mainly family owned, must be ready for a lower valuation. Now, more than ever, it may be a good time to build faith and trust and try to complete the deal at a "fair" value," said Jhunjhunwala.

TOP M&As IN WORKS

- Sale of 20% stake in RIL's refining & petrochem business
- Demerger of Jio's tower/fibre assets
- Sale of 53% stake in BPCL by the Centre
- Sale of 100 % stake in Air India
- Sale of GVK's power project in Punjab to Deutsche Bank

New Creta gets 14K bookings in 2 weeks

S S Kim, MD & CEO of Hyundai Motor India, at the launch of the new Creta, in New Delhi, on Monday PHOTO: SANJAY SHARMA

T E NARASIMHAN
Chennai, 16 March

Hyundai Motor India (HMIL) on Monday launched the new Creta, which has received 14,000 bookings in just two weeks. Nearly 50 per cent customers have opted for the diesel variant.

The Korean auto major invested ₹1,000 crore in the new product, which is made in India and will serve both domestic and global markets. Shipments to other countries are expected to start after two months. Hyundai declined to share any sales target for the new Creta, considering that the economic situation will continue to be grim and also because of the coronavirus (COVID-19) outbreak.

SS Kim, managing director (MD) and chief executive officer (CEO), Hyundai Motor India, said since its launch in 2015, the Creta has become the benchmark SUV for the aspirational Indian buyer. Over the last five years, the firm got over 467,000 customers for the Creta in India and 193,000 cars were exported. "The Creta revolutionised the perception of SUV in India. Offering buyers a car that meets their aspirations & lifestyle needs, the Creta became a style icon," said Tarun Garg, director - sales, marketing and service - Hyundai Motor India.The Creta, which was officially launched on Monday, is a global model, created with an investment of more than ₹1,000 crore. "I am confident that we will once again create a new benchmark in the segment with the Creta, and make it the favourite SUV of our Indian buyers, said Kim

He said 2020 would be a crucial year for the auto industry. With new safety and emission norms, the auto industry will change the perspective of 'Made-in-India' cars.

"In the current challenging business environment, we want to enhance and offer unique buying experiences to our customers. At Hyundai, we are striving to further our customer engagement initiatives by implementing digital platforms such as 'click-to-buy' that offer a seamless customer purchase journey," said Kim.

"We know that the economy is not moving forward. Five hundred people have stolen Indian money. They are wilful defaulters. The PM has said he is going to take action against wilful defaulters. Why is the government not giving their names?"

RAHUL GANDHI
Congress leader

"Some people want to ask questions even after the Question Hour is over... The answers to his questions were provided in writing to him but still Rahul Gandhi and other Congress members made noise"

ANURAG THAKUR
Minister of state for finance and corporate affairs

"As expected, the market has taken a dim view of the virtually coerced investment by SBI and private sector banks in the equity of the failed YES Bank"

P CHIDAMBARAM
Congress leader

IN BRIEF

IOC raises ₹2,995-crore debt to meet capex

State-owned Indian Oil Corporation (IOC) on Monday said it has raised ₹2,995 crore through a privately placed debenture issue to fund its capital expenditure requirements. The company "issued 29,950 unsecured, rated, taxable, redeemable, non-convertible debentures of ₹10,00,000 each aggregating to ₹2,995 crore on a private placement basis on March 6, 2020, to meet its capex (capital expenditure) requirement," it said in a regulatory filing. PTI

No decision to stop printing of ₹2,000 banknotes: Thakur

The government on Monday said no decision has been taken to discontinue printing of ₹2,000 banknotes, and State Bank of India and Indian Bank are reconfiguring ATMs for ₹500 and ₹200 notes. PTI

NMDC reduces iron ore prices by ₹50 per tonne

NMDC has reduced iron ore prices by ₹50 per tonne with effect from March 14, 2020. The lump ore prices has been fixed at ₹3,150 per tonne from the date, while fine prices has been fixed at ₹2,860 per tonne BS REPORTER

Notifications on excise duty, road cess rise tabled

Minister of State for Finance Anurag Singh Thakur on Monday tabled three notifications relating to increase in excise duty and road cess on petrol and diesel by ₹3 per litre, amidst uproar by opposition in the Lok Sabha. PTI

Lok Sabha passes Appropriation Bill 2020-21

The Lok Sabha on Monday passed the Appropriation Bill 2020-21, authorising the Centre to draw funds from the Consolidated Fund of India for its working as well as implementation of its programmes and schemes. The House passed the Bill after the Speaker applied 'guillotine' on demands of grants for various ministries. PTI

3 Nirbhaya convicts move ICJ seeking stay on execution

As the day of hanging of the four death row convicts in Nirbhaya case nears, three of them have moved the International Court of Justice (ICJ) seeking a stay on their "unlawful execution", alleging the probe leading to their conviction was "flawed" and they have been treated as "guinea pigs". PTI

No conflict between jurisdictions of NFRA, ICAI: Govt

The Centre on Monday said there was no conflict between the jurisdictions of the National Financial Reporting Authority (NFRA) and the Institute of Chartered Accountants of India. PTI

YES BANK CRISIS

Anil Ambani gets fresh ED summons

The agency also calls Subhash Chandra, Naresh Goyal, Kapil Wadhawan, and Peter Kerkar in money laundering probe

SHRIMI CHOUDHARY
New Delhi, 16 March

The Enforcement Directorate (ED) has issued summons to a clutch of borrowers of YES Bank, including Essel group Chairman Subhash Chandra, Jet Airways founder Naresh Goyal, Cox & Kings promoter Peter Kerkar, Dewan Housing Finance promoter Kapil Wadhawan, and a few more in connection with the money laundering probe against YES Bank co-founder Rana Kapoor.

Besides, the federal agency has issued fresh summons to Reliance Group Chairman Anil Ambani asking him to appear on Thursday.

Ambani was summoned on Monday for questioning related to the stressed loans that were sanctioned to ADAG group during Kapoor's tenure. But he has filed adjournment application with the ED seeking more time.

An ED official said it was examining all the big borrowers of YES Bank and that is why each of the borrower had been asked to join the probe this week.

Sources said ED wanted to deep dive into all the accounts which had defaulted and the loans had turned into bad debts. The agency will record the statement of the management and promoters of all the stressed firms and will make it part of the prosecution complaint, the source said.

Other than the bad debt accounts, the probe agency is verifying the rationale behind Kapoor keeping some of his realty assets on mortgage with some housing finance firms. "These properties that were kept on mortgage were actually the illegal gratification, which Kapoor has received on advancing loans to entities without due diligence and were not in line with the Banking Regulation Act," an ED official said.

"We asked all the borrowers to provide documents related to their loan agreement with YES Bank, their personal and firms' tax filing, terms and conditions, collaterals again which loans were disbursed and side agreements, if any," the official added.

Some of the big defaulters to whom the private lender had advanced funds include Vodafone Idea, DHFL, Infrastructure Leasing & Financial Services, Essel Group, CG Power, Cox & Kings, and Radius Developers.

An Essel group statement said Subhash Chandra, who has been called on March 18, would extend support and co-operation requested by the ED. It added that most of the credit facilities were fully secured and were availed for its infrastructure business and not in the media firms.

The statement also said the group had never made any transactions with Rana Kapoor, his family, or any private entities controlled by them.

JPMorgan estimates its stressed book at ₹45,000 crore, including the ADAG group, which is among the largest borrowers from the bank, with an exposure of around ₹14,000 crore, followed by Essel group and DHFL.

ANIL AMBANI
Chairman, Reliance Group

SUBHASH CHANDRA
Chairman, Essel group

NARESH GOYAL
Founder, Jet Airways

KAPIL WADHAWAN
Promoter, Dewan Housing Finance

PETER KERKAR
Promoter, Cox & Kings

Kapoor's custody extended by four days till March 20

HDIL used loan sanctioned to Mack Star Marketing to pay off previous loans: ED

SUBRATA PANDA
Mumbai, 16 March

The sessions court in Mumbai on Monday extended the custody of Rana Kapoor, former managing director and chief executive officer of crisis-hit YES Bank, till March 20.

The Enforcement Directorate (ED) had asked for six days of custody on the grounds that Kapoor is guilty of the offence of money laundering and further interrogation is required to get to the bottom of the deals he allegedly made through a complex web of companies. The court, however, granted custody for four days.

During investigations, the probe agency found that a loan of ₹202 crore was sanctioned to Mack Star Marketing, which is a joint venture between HDIL promoters Sarang Wadhawan, Rakesh Wadhawan, and former Punjab and Maharashtra Co-operative Bank chairman Waryam Singh and De Shaw group. The first three hold only 16.64 per cent shares in the entity, while the De Shaw group has the majority stake.

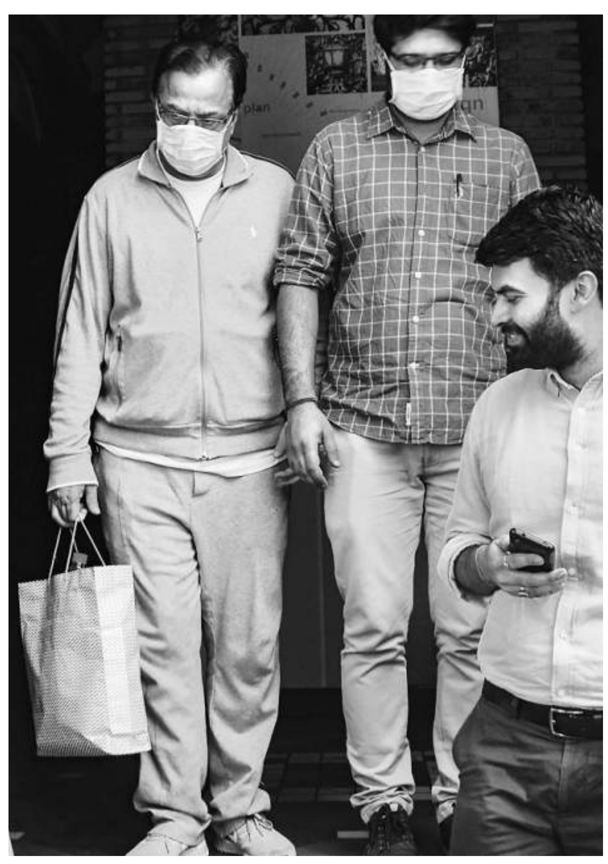
The ED found that HDIL used the loan sanctioned to Mack Star Marketing to pay off its previous loans. However, the loan was sanctioned to the entity with the specific purpose of renovating its office building. The investigative agency in the court alleged the property was constructed two years prior to the loan sanctioned for its renovation and was valued at ₹100 crore. Also, ED has alleged that the loan was taken without the approval of the majority shareholders of the joint venture.

The investigative agency has also alleged that Kapoor had a strong relationship with HDIL promoters and sanctioned the loan to Mack Star without the knowledge or approval of De Shaw group, the majority shareholders in the JV. In March 2016, the De Shaw group had written to YES Bank saying the loans extended by the bank were ultra vires since it hadn't approved the loans. Moreover, a commercial suit was filed by the director of the JV in the Bombay High Court detailing each of the illegal acts of Kapoor in connivance with the Wadhawans.

The investigations have revealed that Kapoor obtained illegal gratification in the form of property in New Delhi, which belonged to Gautam Thapar, promoter of Avantha group.

Kapoor's lawyer responded that his client was being singled out and said the bank's bad loans were 1.25 per cent of the advances when Kapoor was CEO, and all the corporates named by the Finance Minister — Anil Ambani group companies, IL&FS, Essel group companies, and Dewan Housing Finance — turned bad after Kapoor left.

Kapoor's lawyer also said the bank's credit committee took the decisions on loan disbursals and only he cannot be singled out. Also, on the charges that he obtained illegal property, Kapoor's lawyer said he took upon liabilities personally and paid it off to the bank by taking a loan from Indiabulls Housing Finance. Investigations also revealed that about 78 firms owned by Kapoor's family were being controlled and managed by Kapoor.



YES Bank co-founder Rana Kapoor (*left*) at the sessions court in Mumbai on Monday PHOTO: PTI

Moody's upgrades ratings, changes outlook to positive

Global rating agency Moody's has upgraded YES Bank's long-term foreign currency rating from "Caa3" to "Caa1" on bailout package involving fresh equity capital infusion. The rating action also factors in the decision to lift moratorium on depositors and creditors from March 18. The rating outlook is positive.

In addition, Moody's has confirmed the bank's long-term foreign and local currency bank deposit ratings at Caa1. The rating action concludes the review with direction uncertain that was initiated on YES Bank's ratings on March 6. The ailing private sector bank was placed under moratorium on March 5. ABHIJIT LELE

Indiabulls Housing moves Bombay HC on AT-1 bonds

Indiabulls Housing Finance on Monday moved the Bombay High Court in YES Bank case, seeking relief on additional tier-1 (AT-1) bonds that would get written down following finalisation of the Reserve Bank's reconstruction scheme.

It has an exposure of ₹662 crore to YES Bank's AT-1 bonds. An e-mail query sent to Indiabulls Housing didn't elicit any response at the time of going to press.

The plea will be clubbed with the petition filed by Axis Trustee, which represents majority of the bondholders. JASH KRIPLANI

S&P's: Bond write-down marks distinct treatment for pvt banks

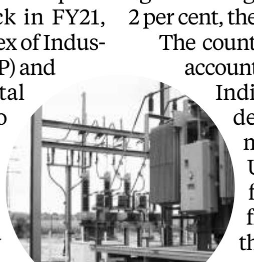
Standard and Poor's (S&P's) said the official decision to write down YES Bank's additional tier-1 (AT-1) bonds highlighted a distinction in India on the treatment of instruments issued by public sector banks and those from private ones.

The move would create losses for asset managers and raise capital costs for issuers. A complete write-down is likely to raise the risk premium that investors price into Indian hybrids, said S&P Global Ratings credit analyst Deepali Chhabria. The bailout scheme requires YES Bank to write down ₹8,700 crore ($1.2 billion) of AT-1 dues. ABHIJIT LELE

Peak power demand to bounce back: Report

JAYAJIT DASH
Bhubaneswar, 16 March

Peak power demand is expected to bounce back in FY21, depending on Index of Industrial Production (IIP) and recovery in capital goods, according to a report by Axis Capital on power sector.



The report shows that energy demand was lacklustre in FY20 due to subdued economic activity, extended monsoons, and low residential demand.

The total per capita power consumption in the country is low due to tepid contributions from manufacturing and residential sectors. It is likely that a large part of this demand is hidden in agricultural load, which accounts for 17.7 per cent of the consumption in FY19, as against the global average of 2 per cent, the report noted.

The country's top 14 cities account for 51 per cent of India's overall residential and commercial demand. Urbanisation has fuelled demand from top 14 cities that have grown at a compound annual growth rate (CAGR) of 7.7 per cent between FY12 and FY19 with tier-II cities outpacing the metros.

While growth in manufacturing hinges on expansion of industrial base, growth in domestic consumption is likely to continue to urbanisation and irrigation drive.

Coronavirus disrupts PSB merger process

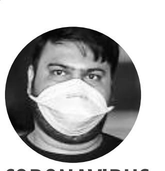
Banks have either put training sessions on hold or are going for e-learning instead of classroom sessions

NAMRATA ACHARYA & ABHIJIT LELE
Kolkata/Mumbai, 16 March

With public sector banks scurrying to meet the April 1 deadline for merger, the coronavirus (COVID-19) outbreak has caused widespread disruptions in their preparations.

The banks slated for merger were supposed to hold employee training sessions starting this week.

According to the banks, they have either put the sessions on hold or are opting for e-learning instead of classroom sessions.



CORONAVIRUS **PANDEMIC**

Moreover, programmes involving gatherings, like customer interface programmes, have also been put on hold.

According to a senior official of Allahabad Bank, which is to be merged with Indian Bank, a training session of trainers, which was supposed to be held in Chennai this week, will now be conducted through video conferencing. Further, the trainers would also conduct sessions at the branch level through video conferencing. However, in rural branches, where banks do not have such a facility, the mode of communication is yet to be decided. Banks will also circulate digital training programme for employees.

Indian Bank managing director (MD) and chief executive officer (CEO) Padmaja Chunduru, who was scheduled to come to Kolkata to meet customers of Allahabad Bank, has postponed travel plans on account of the government advisory.

"There are hopes that the coronavirus spread will be contained in the next two weeks. If not, it is up to the government to take a call on the matter," said a senior official of a bank slated for merger.

Senior official at Corporation Bank, which is merging with Union Bank of India, said the bank has been asked to cancel all training programmes (merger related as well as regular ones) and gatherings.

Now, web-based training and video conferencing are important modes for deliberations. Even the top management – CEO, executive directors and general managers – have been advised to avoid travel, an official said.

With bank servers being centralised, most employees don't have the option to work from home.

"The coronavirus scare has derailed all plans, especially on staff training, as people cannot come for large gatherings. Banking involves a lot of security, and hence, work from home is not feasible," said a top official of United Bank of India.

Close to 40,000 employees of United Bank and Oriental Bank of Commerce need to undergo the training before the merger. The two banks are slated to merge with Punjab National Bank.

Syndicate Bank, which is to merge with Canara Bank, is also planning to replace face-to-face sessions with online training.

"Various state governments are coming out with advisory on domestic travel. As a result, we are going for digital learning. Many institutional training programmes have been deferred. Banks are prepared for balance sheet merger. However, it is up to the government to take a call on the matter," said a senior official of Syndicate Bank.

Under the mega merger plan, 10 public sector banks would be consolidated into four. Punjab National Bank, Oriental Bank of Commerce and United Bank will combine to form the nation's second-largest lender; Canara Bank and Syndicate Bank will merge; Union Bank will amalgamate with Andhra Bank and Corporation Bank; and Indian Bank will merge with Allahabad Bank. The consolidation exercise will bring down the number of nationalised banks to 12 from 27 in 2017.

ILLUSTRATION: AJAY MOHANTY

CRISIL SME TRACKER

COVID-19 pandemic can deal MSMEs a serious blow

Micro, small and medium enterprises (MSMEs) in India braced themselves for a fresh bout of trouble as the coronavirus outbreak (COVID-19) cast a long shadow over the much-anticipated mild recovery in the economy.

The World Health Organisation has declared COVID-19 a pandemic, as more than 114 countries have reported cases of the affliction. This has material implications for the global economy.

The number of confirmed coronavirus cases in India crossed the 100 mark on Sunday. Given the country's dependence on global trade, short-term hiccups are to be expected, especially in sectors such as auto components, pharmaceuticals, textiles, and gems and jewellery.

Import-dependent sectors such as auto components (where SMEs have a share of 25-30 per cent) and pharma bulk drugs (where the SME share is 35-40 per cent) can withstand headwinds in the near term, given their inventory of one to two months. However, as inventories run down, the pressure will increase.

In export-dependent sectors such as apparel (SME share 25-30 per cent), leather (SME share 80-85 per cent) and ceramic tiles (SME share 50-55 per cent), exporters are hopeful of an increase in orders, including from new geographies, because of manufacturing disruptions in China. However, the benefits are likely to be limited, because of expected moderation in global GDP growth.

Meanwhile, commodity prices such as steel will come under pressure as demand declines. This will impact refractories, steel re-rollers, and the pig iron industry, which have a sizeable MSME presence.

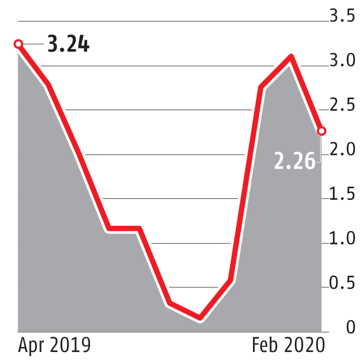
And if the outbreak within India is not contained, discretionary spending will be impacted.

WPI inflation declines to 3-month low

Eases to 2.26% in Feb on cheaper food items

INDIVJAL DHASMANA
New Delhi, 16 March

THE TRAJECTORY
In % YoY



Source: Commerce department

Like its consumer price counterpart, the wholesale price inflation rate fell to a three-month low of 2.26 per cent in February, against 3.1 per cent in the previous month, due to fall in the prices of food items, petrol, and diesel.

The data released last week also showed that the consumer price index- (CPI-) based inflation rate declined to 6.58 per cent from 68-month high of 7.59 per cent over this period.

The wholesale price index- (WPI-) based inflation rate in manufactured items inched up but economists believe it would fall in the coming months, due to the impact on demand from coronavirus. Also, if one takes out processed food items, there continued to be deflation in the remaining manufactured articles.

Even though food inflation fell to 7.79 per cent in February, from 11.51 per cent in the previous month, vegetables continued to see elevated inflation despite moderation. Inflation in vegetables stood at 60.73 per cent in February, though less than 87.84 per cent in the previous month.

In vegetables, onion prices rose at the rate of 162.30 per cent in February, though less than 293.37 per cent in the previous month. Also, inflation in potatoes was at 60.73 per cent in February, down from 87.84 per cent in the previous month.

Among non-food category in primary articles (unprocessed), minerals saw inflation coming down to 2.50 per cent in February, from 4.32 per cent in the previous month.

Fuel and power saw inflation coming down slightly to 3.38 per cent in February, from 3.42 per cent in the previous month. Diesel and petrol saw huge dampening effect of softening of global crude prices.

While inflation rate in petrol was just 2.05 per cent in February, against 8.03 per cent in the previous month, diesel saw fall in prices at the rate of 3.06 per cent against inflation of 4.93 per cent over this period.

It was mainly liquefied petroleum gas (LPG) that drove inflation rate in fuel and power category. The rate in LPG jumped to 21.85 per cent from 1.78 per cent over this period.

"The considerable decline in the WPI inflation in February was led primarily by food items, as well as a modest contribution of the correction in prices of crude oil and minerals, which would intensify in the ongoing month," Aditi Nayar, principal economist at ICRA, said.

Core inflation, which relates to manufactured items sans food products, continued to be in the negative territory. Deflation there stood at 0.8 per cent in February, against 1 per cent in January.

Nayar said the core-WPI recorded a narrower disinflation in February 2020, which was expected to reverse reflecting the growing impact of the coronavirus on prices, demand and sentiment.

She believed that WPI inflation rate would come below 1 per cent in March due to expected decline in the prices of crude oil and various commodities, the pass-through of the same to core-WPI, and a continued correction in prices of some vegetables.

FASAL BIMA SCHEME ENROLMENT

Farmers to give declaration to banks to opt out

The cut-off date for enrolment in Pradhan Mantri Fasal Bima Yojana is July 31 for kharif season and December 31 for rabi

SANJEEB MUKHERJEE
New Delhi, 16 March

Farmers with loan dues will need to give a simple declaration to their bank branch seven days before the final date for enrolment under the Pradhan Mantri Fasal Bima Yojana (PMFBY) to opt out of it, the government has said.

The cut-off date for enrolment is July 31 for the kharif season and December 31 for rabi. The clarification has been issued after last month's decision to make PMFBY voluntary for loanee farmers as well. For non-loanee farmers, the scheme has been optional since the beginning.

Senior officials said banks have been directed to maintain a record of the declarations given by farmers, so that no premium is deducted after someone has opted to move out of the scheme. The Centre has also urged banks to conduct an awareness drive among loanee farmers to persuade they remain with the scheme. Also, to try and ensure the current beneficiaries of schemes such as PM-KISAN, Jan-Dhan, etc, remain in the PMFBY.

Last month, a little more than three years after it was launched by Prime Minister Narendra Modi with much fanfare, the Union cabinet took the decision to make the scheme optional for loanee farmers. It also approved some changes in the scheme, with the aim of making it more attractive.

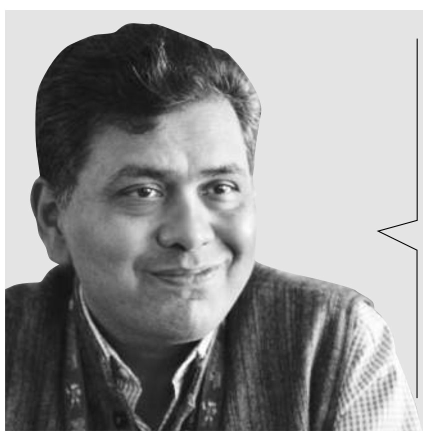
The Centre has spent ₹50,000 crore on the scheme till now, as its share of premium subsidy. Officials say the share of non-loanee farmers, for whom the scheme is voluntary since the beginning, has been rising, a pointer to its acceptability among a vast section. Critics say the increase largely is in a single state, Maharashtra.

In kharif 2016, around 10.2 million non-loanee farmers enrolled. This rose to 12.4 million in kharif 2018, a jump of 22 per cent. In rabi 2016-17, the share of non-loanee farmers in enrolment under PMFBY was 3.4 million, rising to 7.9 million by rabi 2018-19, an increase of 132 per cent.

Under PMFBY, a farmer pays 2 per cent of the sum insured as share of premium for kharif crops, 1.5 per cent for rabi and 5 per cent for horticultural and commercial crops. If the actuarial premium is lower, this lesser rate would apply. The difference between the actuarial premium rate and that paid by farmers is the subsidy, shared equally between Centre and states.

NCLT to get a boost with more staff, Benches

RUCHIKA CHITRAVANSHI
New Delhi, 16 March



"WHEN THE NCLT WAS SET UP, IBC WAS NEVER IN THE PICTURE. IT WAS ONLY SET UP AS A COMPANY LAW COURT. THE IBC HAS NOW SORT OF DOMINATED"

INJETI SRINIVAS,
Secretary, corporate affairs ministry

The government is ramping up the capacity of the National Company Law Tribunal (NCLT) Benches to boost decision-making and reduce delays.

It is setting up dedicated Benches for insolvency and bankruptcy cases and add 40 new positions for NCLT, said Injeti Srinivas, secretary, corporate affairs ministry to Parliament standing committee on finance.

"When the NCLT was set up, IBC was never in the picture. It was only set up as a company law court. The IBC has now sort of dominated," Srinivas said.

Because of the increase in IBC cases, which are getting primacy at the NCLT, company cases are getting badly delayed.

The government is also planning to set up specialised Benches for competition law to reduce the burden on the appellate tribunal, which is referred to on all matters from company law and IBC to competition law and the national financial reporting authority.

The ministry has finalised recruitment rules for NCLT Benches. The total sanctioned strength for regular staff in NCLT is 320. Around 725 people are engaged on outsource mode in NCLT. Separately, three to four law clerks have been engaged for each Bench.

"In the NCLT, of 63 staff, 48 are in position...Now that the recruitment rules are ready, we are very hopeful that in six months or so all the regular staff will be in position," Srinivas said.

Since inception, close to 62,000 cases came to the NCLT. These include the ones transferred from board of industrial and financial reconstruction and high courts.

Of these, more than 40,000 cases were disposed and 21,500 were pending. The government estimates the number of cases being referred to the NCLT is rising at 10 per cent. The load is expected to go up, as more stressed companies knock on the doors of the Tribunal.

The ministry is also planning to increase the threshold for cases referred through the IBC to the tribunal from the current limit of ₹1 lakh. "The law permits us to go up to ₹1 crore, but of course, a lower threshold actually has a deeper impact on behaviour because there is fear of being pulled into the IBC process. But of course, this is being revisited," Srinivas said.

For speedy disposal, the government on March 15 constituted another Bench of the National Company Law Appellate Tribunal at Chennai to hear the appeals against the orders of NCLT Benches.

It will have jurisdiction of Karnataka, Tamil Nadu, Kerala, Andhra Pradesh, Telangana, Lakshadweep, and Puducherry.

Manikaran Power first member to tie up with IGX

SHREYA JAI
New Delhi, 16 March

The gas trading platform of Indian Energy Exchange (IEX), called Indian Gas Exchange (IGX), has found its first member in Manikaran Power (MPL).

IGX would offer spot and forward contracts at Dahej, Hazira, and Kakinada. While Petronet LNG (PLL) operates a LNG terminal at Dahej, Shell operates another one at Hazira. Kakinada is the landfall point for natural gas being produced from the Krishna Godavari basin.

IGX commenced its membership drive in February. MPL is an inter-state trading licensee and a trading member on IEX and trading cum clearing member on Power Exchange India (PXIL). MPL provides electronic platform for trading of power at IEX and PXIL, documentation and assistance in bilateral trading of power, REC trading and group captive.

The Byju's phenomenon

The poster boy of ed-tech Byju Raveendran has a lot resting on his capable shoulders

OUT OF THE BLUE

ANJULI BHARGAVA

Sour grapes was my first thought after Bengaluru ed-tech giant Byju's announced one morning this January that it has raised yet another round of funding at a valuation of $8 billion — up from its last valuation of $5.3 billion in July 2019 — and all other industry players I spoke to appeared dismissive. How does a company increase its valuation by $2.7 billion in a matter of five months? How was that even possible? How many Fortune 500 companies had managed such a feat?

Ed-tech players argued that the valuation increase was "absurd", far in excess of the actual value created. Players were also concerned that as and when this Byju's "bubble" bursts, the entire sector will pay the price.

Finding the ed-tech players answers dissatisfactory, I decided to turn to those involved in the valuation game. This brigade explained that valuation, like beauty, lies in the eyes of the beholder. They explained that if I set out to sell you a matchbox that cost ₹10 and you agree to pay me ₹1,000 for it, the value of the matchbox is ₹1,000! They said that valuations — as we have seen with ShopClues, Snapdeal and of course biggies like WeWork — were based on very little logic but more on the buyer's perception of what the balance sheet could look like in the future and how early you have got into the game. Moreover, investors in Byju's are without any third party impact evaluation, a normal yardstick that the industry uses to back its claims.

I was determined to get to the bottom of it all, so I decided to knock directly on the door of the magician: Byju himself. He naturally was too busy to answer my queries but his chief of strategy Anita Kishore got onto a phone call to explain how they had achieved that magical feat. She said the company had three million paid subscribers for their primary products since the launch of the app in August 2016 and had reported ₹20 crore net profit in 2018-19, within two years. She added that the reason for the high investor interest is that "we have created a high-growth profitable business by using less than $300 million in primary capital". In terms of paid subscribers, it had just scratched the surface. That's why it had been able to attract pension and sovereign funds and not just the growth-stage tech investors.

Meanwhile, I also began to search for these three million paid users: Students, parents, principals, academicians, teachers who were raving over the app and how much it had helped improve learning outcomes and clarify concepts. With investors so excited and this unfolding in our backyard, Byju's must be the new rage in town. I could perhaps understand this phenomenon straight from the horse's mouth.

No such luck! I have been writing aggressively on education for over five years now and have a reasonable database, many in smaller cities, so I knocked on many doors. Oddly, I got no leads. Almost everyone denied knowing a child who had used the app. The most charming response was from Abha Adams, former head of school of TSRS, who suggested I could ask Shah Rukh Khan (he's brand ambassador, lest readers think he's using the app to decode fractions or algebra!). Anita explained this by arguing that most of their children were not in the metros but in 1,700-plus towns and cities of the country and therefore not easy to pin down.

Despite her discouraging words, I refused to back down and intensified my search for at least one student who was using the app. Lo and behold, I did finally find one boy in Shiv Nadar School, Noida, whose father confirmed that he had subscribed to the app for his son. Excited to finally hit upon success, I asked the father to explain the virtues of the product and how it had changed the boy's perception of maths and so on. You can therefore gauge my disappointment when the father said that after six months of using the app, the boy had lost all interest. He had since dropped the subscription.

Even as I continued to run around to make some sense of how the company had managed what it had, it raised its 14th round of funding to the tune of $200 million in February at god knows what valuation. So I'll just end by saying this: Byju Raveendran is the poster boy of a nascent sector trying to find its feet and a lot now rests on his capable shoulders as a consequence. How, what and when he delivers could eventually seal this infant's fate.

CHINESE WHISPERS

What's cooking?

Amid the ongoing political crisis in Madhya Pradesh, where the fate of the Kamal Nath-led Congress government remains uncertain — after 22 Congress MLAs turned hostile — Bharatiya Janata Party (BJP) MLA Narayan Tripathi once again visited the Chief Minister. When asked whether he was with the BJP or the Congress, Tripathi said, "I am with development only." Tripathi said he met the CM to discuss issues related to the development of his constituency. When asked about the "timing" of the visit, Tripathi said, "The Nath government is still in power and that's why I went to discuss things. If it falls, I will decide my next move." Tripathi, along with another party MLA Sharad Kol — both former Congressmen — voted for the Congress' Advocate Protection Act Bill, a long-time demand of the lawyers of the state, last year.

Mid-day meal at home

Ever wondered, what happens to the mid-day meal scheme when schools are shut? Kerala is trying to set an example. The state government has closed all schools till class VII as a precautionary measure against the coronavirus. However, Chief Minister Pinarayi Vijayan has announced that food will be made available to all the anganwadi children at their homes. Depending on the distance and the number of students attending the anganwadi centres, either raw food materials or cooked food would be distributed. So for the next 17 days, every child will receive 255 gm of pulses, 120 gm of wheat, 170 gm peanuts, 55 gm oil and 180 gm jaggery (an ingredient for *payasam*, a dessert). Usually the children are served *payasam* twice a week. Around 375,000 children under 33,115 anganwadi centres in the state are under the mid-day meal scheme.

Anti-virus

There is growing demand from members cutting across party lines that the ongoing Parliament session be prorogued earlier than the scheduled April 3. AIADMK MP S R Balasubramaniam, for instance, said in the Rajya Sabha that the ongoing Budget session of Parliament could be curtailed. However, Finance Bill needs to be passed, even as appropriation bill was cleared on Monday. For the Finance Bill, the two Houses would need to sit for at least another week. Meanwhile, authorities have already stopped issuing passes for people interested in witnessing proceedings of the Lok Sabha and the Rajya Sabha. Only MPs, staff and journalists are allowed to enter the Parliament from Monday. Thermal screening of all visitors to the complex too started on the day.

Going beyond the numbers on FPO

Promoting 10,000 farmer-producer organisations is a good idea but the new proposals could do with some pruning

BY SANJEEB MUKHERJEE

Last month, Prime Minister Narendra Modi launched an ambitious scheme to promote 10,000 Farmer-Producer Organisations (FPOs) in the next five years, starting 2019-20.

If implemented well, the scheme could mobilise almost three million farmers (assuming that each FPO has a minimum membership of 300 farmers) into economically sustainable collectives. Two thousand of these FPOs are to be formed in 2020-21 itself, according to a recent reply in Parliament.

A farmer-producer organisation or company is a quasi-producer collective registered as a private limited company under the Part IXA of the Companies Act (which means it enjoys tax benefits). It is a means to help small farmers maximise their income by offering distribution and marketing support for their produce. FPOs are viewed as a critical institutional solution to the chronic problem of falling farm incomes.

Ahead of final guidelines for the scheme, four broad points have emerged from the press note and a strategy paper.

First, the minimum members required to start an FPO will be 300 instead of 1,000 under the current FPO guidelines.

Second, instead of resource institutes (RIs), the new FPOs will be formed and promoted by cluster-based business organisations (CBBOs), which will be selected through an open bidding process. The CBBOs, according to senior officials, will be RIs of a "higher order", comprising sector professionals, and acting as a platform for end-to-end knowledge for all issues related to the promotion of FPOs. They could comprise business support organisations, trusts, societies, corporations, foundations, corporate social responsibility cells, reputed non-government organisations, individuals or even federated successful FPOs and agri-research institutions such as the Krishi Vigyan Kendras.

Third, apart from Small Farmers Agri-Business Consortium (SFAC) and NABARD, the National Cooperative Development Corporation (NCDC) has also been roped in to act a nodal agency for promoting the FPOs.

Fourth, there will be a mother National Project Management Agency (NPMA) housed in SFAC to monitor and guide the scheme.

A fresh approach is welcome given that the growth and development of FPOs over the past 10 years or more have been uneven. India has managed to create just 5,000 FPOs so far. Only about a third are viable and another fifth are struggling to survive and the rest are in the process of mobilising equity, drawing up business plans and so on.

Thus, if the scheme is not to end up as little more than a number-chasing exercise, some of the new proposals need to be revised urgently, not least because the chief beneficiaries are beleaguered small farmers.

One proposal that demands reconsideration is the decision to lower minimum threshold for FPO formation. When basic economics dictates economies of scale, this provision could lead to the proliferation of small, unviable FPO. "Lowering the minimum member required to form an FPO to 300 from the existing 1,000 is not a sensible idea. Our experience shows that any FPO with less than 700 members is not viable in the long-run," Pravesh Sharma, former managing director of Small Farmers'Agri-business Consortium, told *Business Standard*.

As for replacing RIs with CBBOs, it is hard to see the utility. RIs are typically ground-level NGOs that work to promote and nurture FPOs whereas the format of CBBOs is still hazy. "Unless we have well defined guidelines in place on the form and structure of a CBBO, they could be used as a tool by global consultancies to gain a foothold in the FPO space," said Ashis Mondal, founder-director of Action for Social Advancement (ASA), a Bhopal-based Resource Institute for FPOs said.

ASA has promoted more than 54 FPOs and Mondal is considered one of the pioneers of the FPO concept in India, having drawn up the first guidelines for the sector.

He added that involving NCDC among the nodal agencies for promoting FPOs goes against the grain of the entire concept of these institutions and unless checked they could become marketing arms of Primary Agriculture Cooperative Societies or PACS. Sharma thinks the involvement of NCDC is welcome because the FPO model was designed to be complementary to cooperatives and not in competition.

Amid all the diverging views, one thing is clear: India needs fresh ideas on farmer collectives to boost the income of small and marginal farmers. FPOs do offer a useful way of achieving this, but the new guidelines could do with some fresh scrutiny too.

FIELD WORK

FPOs/FPCs CURRENTLY IN OPERATION

Items	Promoting Agency	Nos
01	SFAC	902
02	NABARD	2,086
03	State government (funded by leveraging Rashtriya Krishi Vikas Yojana or World Bank funds)	510
04	National Rural Livelihood Mission (under of Ministry of Rural Development)	131
05*	Other organisations/ trusts	1,371
	TOTAL	5,000

*These include Bill and Melinda Gates Foundation, Tata Trusts, Reliance Foundation, Ambuja Cement Foundation etc

Source: SFAC and government agencies

ON THE JOB

A third shock

The impact of the shutdowns on the economy would show up later; but the shutdowns would help contain the spread of the virus

MAHESH VYAS

The coronavirus pandemic is the third shock to the Indian economy in a little over three years. The economy will not escape unhurt. More importantly, households are likely to be hit through loss of jobs and/or earnings.

The impact of such economic shocks on the labour markets is usually on the young who delay their entry into the labour market in response to a fall in job opportunities. This shows up in a fall in the labour force participation rate. And, quite perversely, leads to a fall in the unemployment rate.

The labour participation rate did plummet in the last week of February to below 42 per cent. It was 41.96 per cent. It continued to remain close to 42 per cent in the following two weeks at 42.1 and 42.3 per cent. The lowest monthly labour force participation recorded so far was 42.3 per cent in November 2019. India may test such levels again this summer. The unemployment rate fell to 6.7 per cent in the week ended March 15.

The two shocks of the recent past have shown a lesser impact on employment. Employment did fall, but not as severely as the labour participation rate or the employment rate.

The coronavirus impact began working initially through the supply shock of China's shutdown, then through the impact of travel bans across the globe and finally through the awareness or enforcement of social distancing. So far, India is spared the impact of widespread deterioration in health of workers.

We expect the impact of the coronavirus shock on the labour markets to show in the data for April and May. Labour statistics of March could provide the first glimpse.

In the meanwhile, the slowdown in economic activities is palpable in train stations, bus stands, malls and markets in general. The small uptick in industrial production and an equally welcome fall in inflation announced last week passed without much ado. They seemed to belong to a different world. The world we face today is full of new challenges and uncertainties.

India is lucky to remain relatively safe so far. But the Indian economy is too weak and Indian medical facilities are grossly inadequate to deal with a serious health challenge, if it were to strike.

The World Travel and Tourism Council has projected that travel could fall by 25 per cent in 2020 putting to risk 12-14 per cent of the jobs in the sector. This translates into 50 million jobs at risk, globally. Of this, 30 million jobs at risk would be in Asia. Tourism accounts for 10 per cent of global GDP and jobs according to the council.

According to estimates from CMIE's Consumer Pyramids Household Survey, travel and tourism accounts for 5 per cent of the total employment in India.

Travel and tourism accounts for nearly 20 million jobs in India. Hotels and restaurants account for another four million jobs. Employment in the travel and tourism industry has been on a declining gradient since late 2017. The sector has already lost over two million jobs since then. The hotels and restaurant sector has lost fewer jobs. But even this is on a sloppy gradient.

With government restrictions on travel by foreigners into the country, these sectors may be expected to see a further hit in employment. The Indian Association of Tour Operators expects a loss of 1.2 million tourists on a base of 10 million, following government restrictions. Airlines have been asked to waive cancellation charges. This would lead to a welcome increase in cancellations as this would help contain the spread of the virus. But the collateral damage would be a further slowing down of the economy and a possible loss of jobs.

Newspaper reports suggest that malls and restaurants have registered a 30-35 per cent fall in footfalls. BEST buses in Mumbai reported a three per cent fall in riders over a week. Ola and Uber have also reported a fall in traffic. The shutdowns have just begun in large cities. The impact of the shutdowns on the economy would show up later. But this would help contain the spread of the virus.

From a health perspective, the most vulnerable are senior citizens. Most global fatalities are among senior citizens of over 80 years of age with prior respiratory conditions. But 80 years is not a magical cut-off. The gradient of risk starts rising after 60 years of age. Data from China show that fatality rate till age 59 is less than 1.3 per cent. It rises to 3.6 per cent for those in their 60s, then to 8 per cent for those in their 70s and then to 14.8 per cent for those in their 80s.

We estimate that in India, there are well over 100 million who are over 60 years of age. There are nearly 69 million who are over 65 years of age.

According to CMIE's Consumer Pyramids Household Survey only 3.5 million are employed in the health care industry. This includes doctors, nurses, dental practitioners, midwives etc. India is ill-equipped to deal with the scale of testing and treatment that a coronavirus pandemic requires. Containment is the best strategy.

The author is MD & CEO, CMIE

LETTERS

Larger question

This is in reference to the news package on the YES Bank crisis (March 16). While it is heartening to see the SBI and a host of other banks lining up to infuse capital into the beleaguered YES Bank, there are larger issues at stake. There has been a huge flight of deposits, a process that will continue when the moratorium curbs are lifted. Non-performing assets (NPAs) are very high. If all NPAs are revealed, it may be mammoth. The bank is in serious breach of all RBI norms regarding capital adequacy and liquidity among others. The question is after all the capital infusion, will the bank inspire sufficient confidence among customers? After so many criminal cases and enquires going on, will anyone want to do business with the bank? While the government has done well to try to get the bank back on its feet, will it survive after its reputation has been so badly damaged? This is the moot question everyone has to ponder over.

Arun Pasricha New Delhi

Revival in sight

I would like to draw attention to the YES Bank crisis. The crisis in the banking system of India became even more critical when the RBI set a withdrawal limit of ₹50,000 on YES Bank account holders for 30 days. Though the government has assured that the depositors need not worry and that their money is safe, the government needs to focus on the revival of the banking sector as a whole. During this period, YES Bank will not be able to grant or renew any loan or advance, make any investment, incur any liability or agree to disburse any payment. This is the second time that any bank has been put under moratorium after PMC Bank last November.

YES Bank is facing the crisis due to its lending spree. The advances of YES Bank rose 334 per cent between fiscal year (FY)14 and FY19. During this period, bad loans multiplied. Many borrowers started defaulting. The bank's gross NPAs — the loans overdue for more than 90 days — stared at 7.39 per cent as of September 2019, which was again its highest. As all these were taking place, prudent investors sensed trouble, and YES Bank stocks started tumbling.

Now, the SBI has turned out to be a saviour. It will have to hold a 49 per cent stake in the bank, while the existing shareholders are seeing a significant dilution in their holding to 11 per cent. After the SBI showed interest, the YES Bank stock started recovering too.

Pritam Kashyap Dhenkanal

Playing the blame game

Apropos editorial "Riot and riposte" (March 16), it has exposed the sheer lack of serious introspection on the failure of the home ministry, under which Delhi Police works. The home minister cannot blame the Delhi Police for not being able to nip the riots in the bud as it would be like blaming himself. Leave alone the home minister, his deputy, Kishan Reddy, was seen in Hyderabad making vague statements instead of being in the national capital where the violence went on for three days. The tension had started building up from February 23 when BJP leader Kapil Sharma threatened anti-CAA protesters with violence if the police failed to clear them. If the editorial is read along with the report "Polarising faces take lead in Delhi BJP" (March 16), Delhi is still sitting on a communal time bomb. The home minister managed to drag Sonia Gandhi and other non-BJP leaders' speeches in Parliament, but did not utter a single word about his own party men's speeches, which was one reason leading to escalated of violence in north-east Delhi.

N Nagarajan Kapra

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All letters must have a postal address and telephone number

HAMBONE

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Time to prepare

Proper and targeted measures needed for COVID-19

Across the world, the spread of the novel coronavirus epidemic within national borders has followed a similar pattern. Growth has typically been exponential, and at some point the number of critical cases threatens to overwhelm the country's health infrastructure. Differences in patterns between countries emerge in general because of specific mitigation factors: The level of social distancing and quarantining imposed, and the stage of the epidemic in which these are enforced; the number of tests conducted; the accuracy of identification of those who might be potential carriers but are asymptomatic; and, finally, the level to which the public health system is able to manage.

While the government has taken prudent measures so far to contain the coronavirus, coming weeks could increase the intensity and require response at a much larger scale. The spread of the virus is at its preliminary stages in most of the country. Some states have shut down schools, but many large gatherings — such as the Ram Navami celebration at Ayodhya — are still being planned. The government will have to take a call soon on what a national response should look like. India should be testing for the presence of the coronavirus as widely as it can. Countries that have succeeded in "flattening the curve" — in other words, slowing the spread of the virus in the population — include Hong Kong, South Korea and Taiwan, all of which tested intensively. This allowed more precise targeting of those who might otherwise spread the virus in the population. As of the end of last week, India had conducted about 6,000 tests. Current protocol calls for a test only in the case of those showing symptoms and who have had contact with a confirmed carrier or were in a high-risk area. This is too stringent a requirement, especially as there appears to be considerable inventory of test kits and ample capacity to increase production if required, according to the government.

Further, if not over the next few weeks, then sometime in the fall — if the pattern follows previous novel influenza outbreaks, such as the one in 1918-19 — there could be a re-emergence of the virus in the population. What are the preparations being made to pad out the health system to deal with an increased load? The experience of other countries can be a guide as to what is needed: Isolation zones, expanded and very specific intensive care units that focus on the equipment needed to deal with pneumonia complications. Ventilators and masks will be needed, as well as more trained health care providers who are qualified to conduct procedures such as intubations. The relatively delayed onset of the pandemic in India is an opportunity for preparation, not a cause for complacency.

While this is primarily a public health problem and should be approached as such, the need for preparation for a more intensive period extends to the economy as well. The authorities should be prepared for a decrease in output associated with the period in which the epidemic takes hold. Proper and targeted measures — nothing as general as an overall stimulus, which might be counter-productive — should be discussed. On its part, the Reserve Bank of India has done well by taking steps to increase both foreign currency and rupee liquidity in the system.

UP's misrule of law

Property damage ordinance sets a risky precedent

Uttar Pradesh Chief Minister Yogi Adityanath has set new precedents for maintaining law and order that stretch the bounds of the law. His popularly acclaimed strategy of "encounter killings" is one example of his chosen route of vigilante justice. The ordinance to set up a compensation claims tribunal for the recovery of property losses from those accused of rioting is the latest example of his unique extra-judicial interpretation of the law. The ordinance also represents a remarkable defiance of the judiciary. It was passed a day before the Allahabad High Court's March 16 deadline for the district magistrate and the police to report to the court on the removal of the "name and shame" hoardings of 57 people accused of allegedly damaging property during riots to protest the Citizenship Amendment Act. None of these people had gone through the legal process to establish guilt, and, in a communally charged state such as UP, remain vulnerable to violence and worse. It is worth noting that the high court considered the state government's actions serious enough to take *suo motu* cognisance of these hoardings and convene a special sitting on Sunday, March 8. A day later, the court ruled that the move amounted to an "unwarranted interference in privacy". By putting up for public display the name, photographs and addresses of people who are yet to be found guilty in a court of law, the government's actions violated the rights guaranteed to all Indians under Article 21 of the Constitution — that no person can be deprived of his life and personal liberty except according to a procedure established by law. The Adityanath government has appealed this ruling before the Supreme Court, which, has seen fit to refer the matter to a larger bench.

The ordinance offers a snub to the spirit of the high court's judgment upholding the sanctity of Article 21. For instance, the ordinance provides that the court set up under it will be the sole institution for hearing the recovery cases; no other civil courts will hear these cases. No less significantly, the court under this ordinance can instruct the authorities to publish the names, photographs and addresses of people it has found guilty of destruction — in other words, provide legal cover for the same "name and shame" process that the high court had ruled illegal.

As with encounter killings, this ordinance sets a sinister precedent in a state that has scarcely been renowned for the smooth and honest functioning of its law and order machinery. To be sure, encounter killings have had a long and dishonourable history in India from the 1960s Naxalite movement onwards but it remains recognised as an extra-judicial method of law enforcement. Mr Adityanath has mainstreamed and normalised the technique in a manner that may well encourage other states to follow —recent "encounter killings" of rape accused in Hyderabad under the thin guise of "attempted escape" being one example. Naming and shaming could well enjoy similar emulative enthusiasm. If wilfully jettisoning the due process of law were added to problems with land acquisition, inflexible labour laws and other basics of doing business, India's hopes of becoming a hub of global investment will be dim. Mr Adityanath's version of justice urgently demands a robust legal challenge so that it does not become the template for India.

ILLUSTRATION: AJAY MOHANTY

Market meltdown and the virus

As valuations come into a more sensible range, take a deep breath and hold your nerve

What a month it has been for global financial markets! We have just seen the steepest decline ever into bear market territory for global equity markets (less than 20 days), the steepest rise in US treasuries and the steepest single-day fall in oil prices, all in the last few weeks. Fear and volatility are all pervasive. Financial markets are dislocated. The volatility index, the market gauge of fear, has now hit the second highest level ever, just below the peak seen in 2008.

What started out as being seen as a regional crisis, largely confined to China, has now quickly morphed into a global pandemic. It is also painfully obvious that the more advanced countries of the western world have been badly caught out by the COVID-19. They were complacent, unprepared and are now scrambling to control the spread of infection. While China took the hard road of accepting the severe short-term economic pain of shutting down large parts of its economy and not relying just on substantial fiscal and monetary support to flatten the curve of the infection, the West took the easy alternative. They seemed more worried about saving the financial system and equity markets. The initial response of the European Union (EU) and the US was to focus on interest rate cuts and liquidity support as opposed to focusing on testing and controlling social interactions. The Fed was leading the US response not the Centre for Disease Control (CDC).

AKASH PRAKASH

While China has been successful in controlling the spread of new infections, with daily new cases dropping from a peak of almost 4,000 on February 5 to less than 30 today, they needed to literally lock down Hubei and large parts of the country in order to stem the spread. We also have examples of Singapore, Taiwan and South Korea, which have stopped the spread of the virus through extensive testing, isolation and tracing.

Once the virus spread to Italy, and rapidly multiplied, it soon became clear that Europe does not have the social structures, laws, institutional capacity or resources to adopt the methods employed successfully by Singapore or South Korea. Italy and the rest of Europe have no choice but to adopt the heavy-handed Chinese approach of locking down large parts of the country. In the absence of this, their healthcare systems will be swamped. The US will follow suit, with a time lag of 10-15 days. The economic costs of the lockdown-approach are horrific, as is visible in China. Even today, despite new cases having dropped dramatically, most factories in China are just about approaching 65 per cent of prior capacity, and the country will have negative growth for Q1. Despite the economic costs, given how infectious the virus has been and with fatality rates approximating between 1 per cent and 3 per cent, not adopting the measures needed to flatten the curve, are unacceptable at a societal level. The costs, in terms of lives lost will simply be too great, if action to shut down all social interactions is not taken immediately.

It is now inevitable that the world economy will go into a recession. The only debate is whether this is a technical two-quarter event or something longer and deeper. In a typical recession, corporate earnings decline and markets fall by 25-30 per cent. This, however, is unlikely to be a typical recession, as it is a sudden stop to the global economy. Many sectors are going to face severe stress, as consumption evaporates and supply chains collapse. We have no idea how long this will go on. The central banks cannot solve this crisis. It requires action from government. This is primarily a public health crisis, which will morph into a financial crisis. Before this ends, we will most likely see bailouts of the airlines, hospitality and leisure industries.

Markets are also spooked because this is likely to lead to a severe shock to the high-yield markets globally. With a global recession, and the collapse in oil prices, large parts of the high-yield complex are in trouble as cash flows are in stress. Credit spreads have spiked, but still have a long way to go before they approach the levels of 2008. As new issuance dries up, many otherwise solvent companies can face maturity risk as they are unable to roll over maturing bonds. There is at least $1 trillion worth of BBB paper, which is likely to be downgraded and slip to non-investment grade status. This will more than double the size of the high-yield asset class and force yields up, as there aren't enough buyers to absorb this flood of paper. Simultaneously, we are seeing redemptions hit many of the high-yield funds and ETFs. These redemptions are hitting when the banks have cut back on their market-making, leading to illiquidity and dislocations in prices. Expect margin calls, as given the extremely low yields leverage is rampant among the investor base. Even small trades of $5 to $10 million are proving difficult to execute. For a long time, many commentators have been pointing out the huge surge in leverage among corporations globally. Corporate debt has hit record levels. High-yield markets had seen record issuance. Covenant lite loans had also hit a high. The music may be stopping for this asset class. We need to closely monitor what happens here and the possible contagion. This could be the canary in the coal mine.

Policy-makers have now hit the panic button. The Fed has just cut rates to zero and restarted quantitative easing (QE), a fiscal response is the next step. Expect measures globally to ensure liquidity and credit flow to small and medium enterprises, leveraged corporations and other stressed parts of the economy. Coordinated central bank easing is a given.

We will get through this, and both markets and the economy will normalise. One should, however, be buying slowly, and in a calibrated manner. The critical event to look out for will be a peaking of new cases in Italy. Once it is clear that Italy has been able to slow the spread and bring things in control, markets will extrapolate other countries in the west doing the same after a lag.

For India, if we can manage to keep the virus under control, then this will be a buying opportunity. India benefits from lower oil prices, enhanced global liquidity and record low rates. We have been in a slowdown for more than a year, and are not as closely aligned to global supply chains as other countries. The huge redemptions in the EM world (last month has seen outflows of $36 billion) have hit India equally hard, as much of these are passive flows. Some of the tail risks for India are finally being addressed. Much of the corporate clean-up has been done. Valuations are coming into a more sensible range. If India sees a spiral in cases, then we have a problem. Otherwise, this is a buying opportunity, with a significant longer-term upside. Take a breath and hold your nerve.

The writer is with Amansa Capital

This is what a perfect storm looks like

Even before the COVID-19 pandemic, the year had already begun on uncertain terms. Australia's forest fires were raging, having burned through 186,000 square kilometres. In February, maximum temperatures in Antarctica hit a highest ever 18.3°C, signalling worsening climate change. Commodity prices were struggling. A slowing global economy had translated into lower demand — and depressed prices — for oil.

Now, things have worsened. As the disease escalated, cities, countries and regions went into lockdown. Russia's refusal to cut oil output any further (to hold up prices) led to Saudi Arabia flooding the market with more oil, resulting in a crash in oil prices. With borders closing and supply chains disrupted, strained flows of goods, services and people are likely to get worse before getting better. The economic impact is already visible. The 11-year-long bull run in the Dow Jones Industrial Average ended last week.

INFLEXION POINTS

ARUNABHA GHOSH

This is what a perfect storm of shocks looks like: A series of environmental, economic and social crises that overwhelm the capacity of states and communities to respond, adapt and rejuvenate. The coronavirus did not trigger an economic crisis; instead, it tipped the scales when conditions were already vulnerable.

In 2008, the world faced parallel crises in global finance and in food supply. The former (a chronic problem) was thanks to financial mismanagement and not paying heed to risk indicators. The latter (an acute challenge) was due to rising fertiliser and energy costs, use of foodgrains to produce biofuels, and unfavourable weather conditions. Major rice exporters restricted exports. Food price shocks hit financially-stressed countries in West Asia and North Africa, in part triggering the "Arab Spring". We are again witnessing a combination of chronic and acute upheavals.

In climate science, scientists refer to tipping points. These are thresholds in Earth's physical climate system and impacted ecosystems, which when crossed can trigger self-reinforcing feedbacks (say in the carbon cycle, planetary reflectivity and global mean surface temperature) and set off tipping elements (say, in melting of ice sheets and sea level rise). The World Meteorological Organisation estimates that surface temperature rise could be up to 1.65°C by 2030.

Several additional stressors could compound persisting troubles. Water stress fuels transboundary tensions. Unseasonal rains or a poor monsoon would impact agricultural output, further depressing rural consumer spending. While low oil prices are a temporary boon for large importers such as China and India, governments must decide whether to increase duties on petroleum products to shore up revenues or pass on lower prices to boost demand. Meanwhile, extreme weather events have increased in frequency and intensity. During 1990-2018, of nearly 300 such events in India, most occurred after 2005. Flooding events have increased three-fold since 1980.

Past shocks and the current pandemic underscore that tipping points need not be physical alone. It certainly matters what we do to the planet and what the planet does to us. What really matters, though, is what we do to each other. Responses to the acute public health crisis lend some insight into how the world might/should react to periodic financial crises, unresolved trade tensions and chronic challenges of nonlinear climate risks.

SCENARIO 1: Lockdown. This is the worst outcome. Countries fall back on insular approaches. Travel restrictions were necessary to combat the spread of the virus. But how will governments respond to adverse economic impacts? European governments have limited room to fiscally boost their economies. The US has resisted major stimulus measures, dragging down stocks further. China wants to kick-start the economy but its export markets remain closed. With no coordinated fiscal stimulus, governments might resort to more trade protectionism, lurching the global economy towards man-made tipping points.

SCENARIO 2: Emergency services. This is a time-bound response. Under guidance from the World Health Organization, resources are pooled and deployed in regions where local public health services are overwhelmed. Countries agree to share more information than they have done so far — to avoid misinformation and further contraction in public trust. Under a best case scenario, if the virus' advance peaked by mid-2020, it could stimulate some green shoots of recovery. However, a bad monsoon in South Asia or another devastating hurricane season in the US could further shock public finances and blunt efforts for economic revival.

SCENARIO 3: Community action. Cooperation is better achieved in smaller groups and when there is a clear threat. Local responses would include socially responsible behaviour (not just social distancing but also avoiding panic-stricken purchases or profiteering from price hikes). This scenario works early in the onset of a crisis. Once tipping points are crossed, community health systems collapse. Similar quandaries reappear when extreme weather events strike. India has done well to give advance warning of cyclones and saving lives. But community action alone does not suffice for post-disaster recovery to rebuild infrastructure and revive economic activity.

Scenario 4: Collective action. Through an emergency sitting of G20 finance, environment and health ministers, major economies make four pledges: (1) Pooled public health resources; (2) moratorium on further increase in trade barriers for 18 months; (3) coordinated fiscal stimulus with a bias towards small businesses to increase spending power; (4) a process to develop climate risk atlases for the most vulnerable in poor and rich countries.

I sit in isolation and write this. Emergencies do not always yield rational responses; suboptimal scenarios are likely outcomes. We must start by finding solutions at our individual, institutional and community levels. And hope that our leaders see value in international cooperation.

The writer is CEO Council on Energy, Environment and Water (http://ceew.in). @GhoshArunabha @CEEWIndia

Biographies and bias

KITABKHANA

T C A SRINIVASA-RAGHAVAN

I just finished reading, without getting a hernia I might add, Jairam Ramesh's hefty biography of V K Krishna Menon (*A Chequered Life: The Many Lives of V K Krishna Menon*). It's excellent.

Over the years, as I have often boasted here, I have read many autobiographies of all sorts of people, famous and obscure. But few biographies.

There is a reason for this: A biographer can never get it even half-right. I mean, the facts may well all be there. But the truth? Now that's a different thing altogether.

In autobiographies, some economy with the truth is natural. The writer either wants to present himself (or herself) as a heroic figure or a victim.

There's also the need to be discreet about others. Very few can be like Montek Singh Ahluwalia in avoiding these pitfalls and reservations and write a straightforward account.

But biographies are different. The starting point is the biographer's bias.

He or she must be, at the very least, well disposed towards the subject. Indeed, why would anyone write the biography of someone he or she didn't like, or admire in some way?

Some of my friends says this doesn't apply to people long dead, such as, say, Napoleon. Or other such people. There are around a 100 biographies of him.

A biography is not a PhD thesis where you start with a proposition or hypothesis and then see if it holds any water and commend or condemn the subject of your biography. In a biography, it's not the evidence that suggests the conclusion. It's the other way round.

Isaac Deutscher's biography of Stalin remains the best even though it drips with negativity. Deutscher simply arranged the facts in a particular way.

Or, it's hardly likely that when he started his research Mr Ramesh had absolutely no thoughts about V K Krishna Menon or P N Haksar. More likely, he had some vague ideas and when he found their papers, it seemed like a good idea to sift through them and produce a biography. Both were icons of the Congress party at one time.

(For younger readers of this article — though I doubt if there are any — Krishna Menon was India's defence minister when the Chinese walloped us in 1962. Many blamed him for adventurism. Haksar was Indira Gandhi's principal secretary for about six years and many blamed him for India's definitive and long-lasting leftward turn).

Goody-goody: The question remains: Would Mr Ramesh write the biography, even if he chanced upon their papers of someone he didn't hold in some minimal measure of esteem? I have read both these books. His admiration, even when it's justifiably tempered as in the case of Menon, serves as the base note. As to Haksar, there is no effort to hide his admiration.

Then there is the Rajmohan Gandhi style of biography writing. He, too, tells a good story in that the narrative is nicely arranged to portray the subject in a good light. But he tends to leave out the warts. You learn a lot but you don't learn everything.

Rajmohan Gandhi's admiration of his subject and his own innate goodness combine to produce goody-goody books, which leave you dissatisfied. It's like a superbly cooked dish but without salt, except that unlike in the case of food, you can't add your own salt to his books.

The same sort of thing is there in all the biographies of the Nehru-Gandhi family. No one really wanted to offend the Family and all biographers have left the inconvenient facts out. These are many. Trivia, perhaps but worth putting down in a complete biography.

The very best: Talking about inconvenient facts, absolutely the best book containing these is *Intellectuals* by Paul Johnson. It's a lot like Plutarch's *Lives* in which he wrote about 48 celebrities of the Roman Empire.

I had written about the Paul Johnson book in this space about a year ago. This is what he says: "This book is an examination of the moral and judgemental credentials of certain leading intellectuals to give advice to humanity on how to conduct its affairs." He then proceeds to wash all their dirty linen. That's what Plutarch did, too.

It turns out in the Johnson book that many of the great western thinkers of the last 150 years were quite awful in their highly troubled and spotty personal lives.

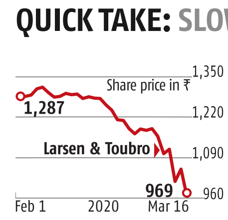
You should read the book. The scales will fall. These guys were the pits by any normal standards.

Of course, the problem with such inclusions of the inconvenient is that people don't like it. They don't want to hear anything adverse about their heroes. So they rubbish the author instead.

And there lies the problem biographers face.

Business Standard
MUMBAI | TUESDAY, 17 MARCH 2020
The Smart Investor
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: SLOWER INFRA CAPEX A CONCERN FOR L&T



Larsen & Toubro (L&T) shares are down 25 per cent in one month due to the markets fall, and may remain weak given the firm's high dependency on infra expenditure and working capital pressure. Emkay Global says government-led infra spending is likely to slow down on worsening fiscal stress

"Cutting rates in middle of global pandemic won't be effective. Banks have stopped giving credit as they are seeing default risk. India saving the ammunition to use when this dust settles"

SIDDHARTH BHAMRE
Independent Analyst

Oil skids nearly 12%; silver at 11-yr low

Gold gives up gains, falls 5 per cent; massive sell-off witnessed on MCX

DILIP KUMAR JHA
Mumbai, 16 March

Gold, silver and crude oil prices hit their respective lower circuits on the Multi Commodity Exchange of India (MCX) as the global equity sell-off amid the coronavirus pandemic created extreme margin pressure on other asset classes, including bullion, metals, and energy. In the international market, silver was down to its lowest level after May 2009, while crude oil and metals were around their worst since 2016. Brent crude was down 11.79 per cent and trading at $29.86 per barrel (at 11.53 pm IST).

Silver recorded one of its steepest single-day declines by falling over 13 per cent. Base metals and globally referential agricultural commodities, too, sharply as sellers rushed to liquidate their stocks.

Gold was in green initially but fell in late trading. In the London market, Spot gold dropped as much as 5.1 per cent to $1,451.55 an ounce, reversing earlier gains. The metal lost 8.6 per cent last week, the most since 1983.

CORONAVIRUS PANDEMIC

"Funds and investment houses had bought a large quantity of silver in the last few months as safe haven asset class. Now, they are coming in to liquidate it, leading to a sharp decline in silver prices globally. The same trend percolated to India as well," said Gnanasekar Thiagarajan, director, Commtrendz.

The price of silver slumped to trade below $12 an oz in the international market, its lowest level since May 2009. In the Mumbai spot market, traders were reluctant to sell at a low price.

According to the existing guidelines, trading in many commodities were halted after hitting the lower circuits and restarted only after the cooling period.

On the benchmark MCX, the price of silver for delivery in May declined nearly 16 per cent to ₹34,139 a kg. Similarly, the gold contract for delivery in April fell 4.18 per cent to ₹38,683 per 10 grams. Copper slumped 3.85 per cent to trade at ₹405 a kg.

Among agri commodities, castor seed contract for delivery in March plunged 3.91 per cent to ₹3,680 a quintal on the National Commodity and Derivatives Exchange (NCDEX).

"Commodities, including bullion, energy, metals and agri products, are facing global selling pressure. The global equity markets have posted a massive sell-off amid fears of a devastating impact of the coronavirus pandemic on the global economy," said Kishore Narne, associate director, Motilal Oswal Financial Services.

Global commodities, including gold and silver, opened high in early trade on Monday following the US Fed's decision to cut interest rate to nearly "zero" to help the economy withstand the impact of the pandemic. The 1 per cent decline brought the effective interest to 0-0.25 per cent now. Analysts estimate the rate cut to generate $700 billion in revenues for the US economy.

ALL IN THE RED

	Mar 16,'20	% change*	Prev low date
LME Copper	5,241.0	**-4.0**	Nov 8, 2016
LME Zinc	1,953.5	**-1.6**	Mar 12, 2020
LME Nickle	11,855.0	**-3.8**	Mar 12, 2020
LME Aluminum	1,657.0	**-1.4**	Mar 12, 2020
LME Lead	1,706.5	**-2.2**	Jun 27, 2016
Gold ($/Oz)	1,471.8	**-3.7**	Dec 12, 2019
Gold (₹/10g)	39,835.0	**-4.8**	Jan 17, 2020
Silver ($/Oz)	12.6	**-13.9**	May 1, 2009
Silver (₹/kg)	36,640.0	**-15.0**	Jun 11, 2019

*% change over the previous close
LME price is for three-month forward ($/tonnes)
Source: Bloomberg; compiled by *BS* Research Bureau

BRENT CRUDE
$29.86/bbl
-$3.99
(-11.79%)
Until 11.53 pm

People being checked for symptoms of COVID-19 infection before entering the BSE building PHOTO: KAMLESH PEDNEKAR

PRIVATE BANK SPACE POLARISED

A sharp correction in banking stocks has opened a large valuation gap between top-tier private sector banks and their smaller peers. While private sector banks have seen a 23.4 per cent decline market capitalisation (m-cap) on average since February 20, when the markets began to correct, many smaller banks lost nearly a third of their m-cap during the period.

RBL Bank, for example, is down 47.2 per cent during the period. Its m-cap is down from ₹15,700 crore on February 20 to ₹8,283 crore at the close of trading on March 16. IndusInd Bank is down 44 per cent during the period. Its m-cap is now down to ₹46,000 crore, from ₹82,000 crore around three weeks ago. Other banks that lost 30 per cent or more during the period include Bandhan Bank, Axis Bank, IDFC First Bank, Karur Vysya Bank, and Karnataka Bank. In contrast, HDFC Bank, Kotak Mahindra Bank, City Union Bank, and DCB Bank outperformed their peers and are down 18–19 per cent.

Analysts said this would polarise the industry between top tier banks and the others. Sharp decline share prices would make it tough for many of these smaller banks to raise fresh capital, forcing them to forego market share in favour of their larger peers. The YES Bank fiasco has already made it tough for banks to raise additional tier-1 capital. Surprisingly, YES Bank is the top performer with a 5 per cent increase in the market capitalisation during the period. KRISHNA KANT

Bank	Current m-cap (₹ cr)	Change in m-cap (%)*	Price to BV ratio
HDFC Bank	547,666.2	**-17.9**	3.5
Kotak Mahindra Bank	264,677.6	**-17.9**	5.8
ICICI Bank	260,755.8	**-26.3**	2.4
Axis Bank	143,640.4	**-31.5**	1.7
IndusInd Bank	46,001.5	**-43.9**	1.4
Bandhan Bank	44,264.9	**-33.9**	3.2
City Union Bank	13,288.8	**-18.8**	2.6
IDFC First Bank	12,794.3	**-33.7**	0.8
Federal Bank	12,594.1	**-27.8**	0.9
RBL Bank	8,282.9	**-47.2**	1.1
All pvt sector banks	1,409,909.8	**-23.4**	2.6

*Change in market capitalisation since February 20, 2020, when the market correction started. Note: Price to book value based on market capitalisation as on March 16 and banks' net worth at the end of September 30, 2019
Source: Capitaline, compiled by *BS* Research Bureau

SBI Cards drops 10% on debut, HNIs lose ₹200 per share

SAMIE MODAK
Mumbai, 16 March

Shares of SBI Cards and Payment Services closed 10 per cent below their issue price, with the secondary market crash taking a toll on investor sentiment. Shares of the country's biggest pure-play credit card company ended at ₹678, down ₹77, or 10.2 per cent, over the IPO price of ₹755.

The weak trading debut contrasted the stellar demand seen during SBI Cards' ₹10,300-crore IPO earlier this month. The share sale was subscribed 26 times, generating bids worth a record ₹2 trillion, underpinned by the expectations of a surge on the listing day.

The coronavirus scare was prevalent at the time of SBI Cards' IPO. However, the situation worsened in the past week. Since March 5, the closing date of the SBI Cards issue, the benchmark Sensex has come off 18 per cent.

POOR OPENING SHOW

(BSE price in ₹)

At the time of the IPO, many investors were expecting SBI Cards to list at a premium of more than 30 per cent. The weak listing has hurt several high net-worth individuals (HNIs), who had borrowed money to subscribe to its shares.

Investment bankers say HNIs have suffered a loss of ₹200 per share as their acquisition cost after factoring in the interest shares worked out to ₹870. They had placed cumulative bids worth ₹80,000 crore in the IPO.

The stock touched a high of ₹755 and a low of ₹656 on the National Stock Exchange (NSE), with shares worth ₹4,320 crore changing hands. Another ₹300 crore worth of shares were traded on the BSE.

The weak debut notwithstanding, many analysts are bullish on the prospects of YES Bank. Macquarie, for stance, has initiated an 'outperform' on the stock with a target price of ₹1,025.

"SBI Cards is a pure play on quintessential India opportunities -- discretionary, consumption, retail credit penetration, and digital payments. We believe SBI Cards strong parentage, market leadership, brand, and smart strategies will enable it to capture a rising share of India's fast-growing credit card industry...we believe being India's only notable standalone credit card company and having growth visibility should ensure premium valuations can be sustained," the brokerage said in a note.

In the past few years, SBI Cards has clocked strong growth.

"The company has maintained a strong earnings trajectory, with revenue rising at a CAGR of 44.6 per cent to ₹6,999 crore in 2017, and a net profit trajectory of 52.1 per cent CAGR to ₹862.7 crore in 2019, with sustainable RoA above 4 per cent and RoE at more than 28 per cent," says a note by ICICI DIRECT.

Antony Waste withdraws IPO

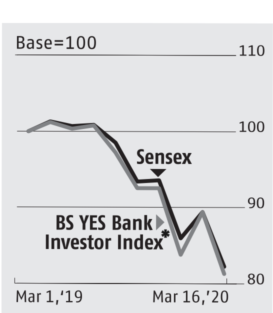
Antony Waste Handling Cell on Monday called off its initial public offering (IPO) after it failed to garner adequate subscription owing to weak market conditions. The waste management firm's ₹200-crore IPO was subscribed only 49 per cent despite lowering of issue price and extension of the closing date by more than a week. Other companies, including Burger King India and Rossari Biotech, have put off their IPO plans amid a sharp selloff in the market. BS REPORTER

THE COMPASS

Private lenders' bailout of YES irks investors

Banks should've conserved capital before bailing it out, say experts

HAMSINI KARTHIK



* 8 Banks which have invested in YES Bank
Compiled by BS Research Bureau

It was yet another day banking and financial stocks would like to forget in a hurry. Over the weekend seven private lenders collectively pooled in ₹3,950 crore to bail out the beleaguered YES Bank. The seven private banks are HDFC, ICICI Bank, Kotak Mahindra Bank, Axis Bank, Bandhan Bank, Federal Bank, and IDFC First Bank.

Given that the investment was made at ₹10 a share, the same as what State Bank of India (SBI) paid, Monday's 45 per cent appreciation in the YES Bank stock to ₹37.10 could prompt many to think that these lenders have indeed made a good investment. However, part of the reason for Monday's surge was technical, with the NSE advancing the exclusion of YES Bank's stock from Nifty indices by about a week to this Thursday. The compulsory lock-in of 75 per cent holding of existing investors (owning over 100 shares), which reduced supply in the counter, also helped.

So, the rally's sustainability from hereon will depend on YES Bank's financial capabilities. That said, the participation of banks and HDFC does throw up two critical questions. One, whether the banking sector is on the verge of witnessing very selective participation from investors, and two, whether the timing of investment was right. "We have seen no private interest so far in the bank (YES) and given the deterioration in the business, banks/the RBI will have to continue to provide both liquidity and capital to the bank," say analysts at Nomura.

The larger debate is whether it was appropriate for peers to bail it out. "The intention is also to prevent a contagion (run on deposits with private banks)," says Ajay Bodke, CEO and chief portfolio manager, Prabhudas Lilladher. "But still, this is a large cheque to write for these lenders, especially when business is turning tough even for these lenders and capital for the system is getting expensive," he adds.

In this context, Lalitabh Shrivastawa of Sharekhan feels if these sums were retained by the banks, it would have certainly made a positive difference to their financials. Concerns expressed by analysts largely stem from the fact that growth has been on a slow-mode and barring ICICI Bank, asset quality pressures haven't quite eased for these lenders.

In addition, Shriram Subramanian, MD, InGovern, says the decision to invest in YES Bank by its peers could have been done consultatively, engaging shareholders as well. "None of the investee banks had an opportunity to do due diligence on YES Bank and I don't think some of these banks would have participated in the capital-raising process if left to themselves," he explains.

Experts say such decisions are detrimental to shareholders' interest and at a time when banking stocks are at the forefront of the market correction, they could further weaken sentiments. Stocks of these lenders were down between 5.9 per cent and 11 per cent on Monday.

HOW THE INVESTMENTS STACK UP

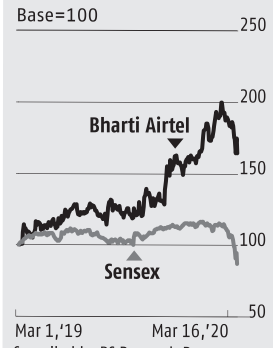
(₹ crore)	Net worth	Capital infusion	% of net worth
SBI	2,26,075	6,050	**2.7**
Federal Bank	13,754	300	**2.2**
Bandhan Bank	14,016	300	**2.1**
IDFC First Bank	16,866	250	**1.5**
HDFC Limited	81,706	1,000	**1.2**
Kotak Mahindra Bank	45,912	500	**1.1**
ICICI Bank	1,10,606	1,000	**0.9**
Axis Bank	83,875	600	**0.7**

Net worth as on September 30, 2019
Source: Capitaline; compiled by *BS* Reseach Bureau

AGR proposal a boost for Bharti Airtel

Cash flows to absorb Africa impact amid weak crude oil prices and rupee

RAM PRASAD SAHU



Compiled by BS Research Bureau

The move by the Department of Telecommunications seeking a staggered 20-year payment of dues related to adjusted gross revenues (AGR) is positive for listed telecom players, such as Bharti Airtel and Vodafone Idea. The move would require Airtel and Voda Idea to pay ₹1,700 crore and ₹4,100 crore, respectively, every year (including interest cost of 8 per cent) over the moratorium period.

Analysts at Motilal Oswal Financial Services say Airtel with an annual free cash flow for FY21 estimated at ₹12,600 crore, along with a net debt to operating profit of at 2.6 times (post AGR liability), should help it make the payments. The same will be difficult for Voda Idea, given the high debt and lower cash flows.

The other trigger for Airtel could be the second round of tariff hikes, proposals to have a minimum tariff floor, and the government's intent to have a three-player market. Analysts believe that there could a tariff hike upwards of 30 per cent which would push the average revenue per user (ARPU) to levels over ₹200. This should boost Airtel's operating profit by a third.

There are, however, certain headwinds. The major one is the crude oil price crash, followed by a depreciating rupee. Airtel's Africa operations in countries — such as Nigeria, Congo and Chad — could see some impact as these are oil exporting economies. What will add to the woes is that 28 per cent of its debt is dollar-denominated.

Analysts at Emkay Global believe Airtel's Africa business is in a strong position to absorb any near term impact with a healthy operating profit and lower debt. Africa net debt has halved over the last three years and the company is able to fund its capex from internal cash flows.

The brokerage, thus, has a positive view on the firm, given its strong India business and expected market share gain in India which could absorb any adverse Africa impact. While the stock is down about 18 per cent over the last month, analysts believe there are multiple positives, especially on the Indian telecom front, which should offer long-term value to investors.

YES Bank out of NSE indices this week

JASH KRIPLANI
Mumbai, 16 March

The National Stock Exchange (NSE) has decided to advance YES Bank's exclusion from NSE indices to this Thursday, in light of the recent reconstruction scheme for the private lender. There are also certain restrictions on trading its shares. On Monday, YES Bank's shares saw a spike, closing 45.2 per cent higher.

Lack of supply post lock-in and short-covering led to the rally. "As much as 75 per cent of equity is locked-in, so there is less supply of shares. Around 600 million shares are available in the market; futures were trading at discount. We saw some short covering as settlement of future contract would happen in May," said Yogesh Radke, head of alternative and quantitative research at Edelweiss Securities.

According to market participants, the open interest in derivative market was for 25 crore shares.

Further, market participants say excluding the stock earlier than the slated date will help to prevent fresh flows from the Nifty and Nifty Bank-linked mutual funds. Earlier, the exclusion was to be effective from March 27.

The government in a notification on Friday said the existing shareholders (on date of scheme commencement) or allottees under the scheme will not be able to sell more than 25 per cent of holdings in YES Bank for a period of three years.

The 75 per cent three-year lock-in on YES Bank has prompted MFs to seek direction from the Securities and Exchange Board of India (Sebi), as exclusion of YES Bank from indices will force them to exit the YES Bank.

However, the lock-in will prevent selling the shares. As many as 50 index- and exchange-traded funds (ETFs) are exposed to YES Bank as of February 29.

Analysts see 8-10% decline in FY21 earnings of IT firms

Lower spends by key customer segments may hurt revenues and margins, offsetting gains from a weak rupee

SHREEPAD S AUTE
Mumbai, 16 March

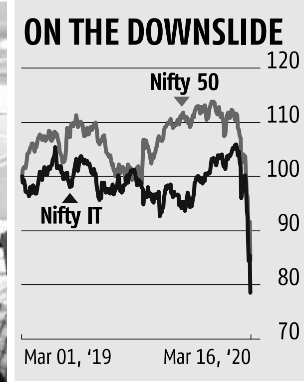
With the spread of coronavirus or COVID-19 remaining unabated, major global central banks have intervened to soften the pandemic's economic impact by reducing interest rates or by quantitative easing (infusing cheap funds). While the Reserve Bank of India (RBI) on Monday announced measures to ease liquidity in the domestic banking system, the US Federal Reserve on Sunday cut its interest rate near to zero.

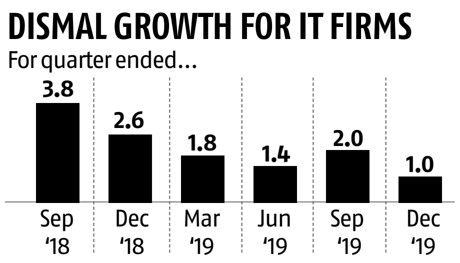
While the jury is out on how much these efforts may help, the weakening demand environment has cast a shadow for major Indian information technology (IT) players, given their dependence on US financial services and the retail and energy sectors.

Top IT players — such as Tata Consultancy Services (TCS), Infosys, HCL Technologies, and Wipro — earn 21-32 per cent of their revenue from the BFSI (banking, financial services and insurance) sector and the US accounts for over 50 per cent of their top line.

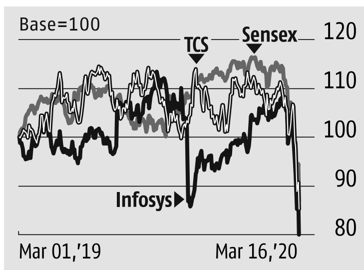
Toeing the broader market movement (the Nifty is down 24 per cent in the last one month), the Nifty IT index has also lost over 25 per cent, touching its 52-week low on last Friday, despite a weaker rupee being favourable for domestic IT players.

Amit Chandra, analyst at HDFC Securities, said: "Amid a likely negative impact of interest rate cuts by banks globally, including the US Fed, Indian IT players could see a flattish growth in the first half of FY21 (April-September 2020), in constant currency terms. This, in turn, would make achieving higher-single digit revenue growth in FY21 difficult for major IT players."





Figures represent average sequential revenue growth of top 3 IT players in constant currency terms (%)



Compiled by BS Research Bureau Source: Exchange

Other analysts, too, have similar views. Sanjeev Hota, head of research at Sharekhan, said: "With sharp rate cuts in the US, which would impact the spending of BFSI clients, and lower discretionary spending in certain verticals amid the coronavirus pandemic, it looks challenging for Indian IT companies to achieve higher-single digit growth in FY21."

Lower interest rates, along with the impact of coronavirus on corporate earnings, are likely to hurt IT spending in the BFSI sector, mainly banks. This could have a negative impact on Indian IT players in two ways -- the conversion of existing deals into revenue would get delayed and new deal size would come down. There could also be pressure on margins as clients seek more bang for the buck. In fact, coronavirus has only added to the woes for BFSI vertical, which was already seeing pain in the past few quarters. Many IT companies had reported negative growth in the BFSI verticle in the December 2019 quarter, on a sequential basis.

Not only from BFSI, but the growth pain would also stem from the retail segment, the second-largest business vertical (15-17 per cent of revenues) for some IT players. This is because, major the US- and Europe-based retail stores are closed to curtail the coronavirus spread.

Some analysts also see pressure on the energy segment because of the crash in crude oil prices as this will impact energy projects. Companies like Infosys and Wipro derive up to 13 per cent of revenue from the energy segment. Additionally, travel restrictions may also weigh on the overall performance of IT companies.

Muted demand or IT spending is also expected to impact margins despite the rupee's depreciation. Likely discounts by IT companies to get deals would curtail margin benefits from the rupee's depreciation to a great extent, says an analyst from a domestic broking house. Thus, even as one may expect some margin push in the March 2019 quarter from the rupee depreciation, how IT companies protect their margin in the next financial year would be the key.

Overall, investors are recommended to wait until more clarity on the top-line and margin fronts emerge. In view of these developments, some analysts said that they have cut their FY21 top-line and earnings estimates for domestic IT companies by 6-7 per cent and up to 8-10 per cent, respectively.

No-cost EMI option could be beneficial

You may go for it, if you don't have to break an investment giving good returns

BINDISHA SARANG

Among the people working from their homes because of the Coronavirus pandemic, there is a marked tendency to go online and shop. Says Amber Ram, a Mumbai-based private sector employee: "I do sometimes tend to shop online just to ward off boredom." Shopping festivals like the Flipkart.com Big Shopping Day sale from March 19-22 add to the allure of online shopping. Even if you belong to the judicious bunch who genuinely needs to buy a big-ticket item, there are quite a few ways you can pay. You could go for the no-cost EMI option, break an investment, take a personal loan, or save for a few months and then buy. How should you go about making a choice?

How does a no-cost EMI work? If the price of a laptop is ₹1 lakh, you get to pay instalments of ₹10,000 for the next ten months. No interest cost is charged from you. Says Gaurav Aggarwal, director and head of unsecured loans, Paisabazaar.com: "Under the zero-cost EMI offer, the buyer repays the selling price in equal instalments over the tenure. The seller receives the discounted price while the bank receives the balance amount—the discount—as its interest. The only additional cost borne by the buyer is the GST levied on the interest component." In short, the discount that you would have enjoyed if you had paid lump sum goes to the bank as interest payment.

Other loan options also exist. Says Adhil Shetty, CEO, BankBazaar: "Traditionally, credit cards have enabled users to opt for purchasing products on EMIs at no extra cost or documentation through an EMI on-call or EMI options offered by specific merchants. Today, you have the option of an EMI card as well. The EMI card is a pre-approved loan where the EMI starts only after you have used the card to buy a product."

Should one break an existing fixed deposit or units of mutual funds? Says certified financial planner Nirreen Mamaji: "Redeeming an investment could be a bad strategy since the mutual fund units may have been purchased at lower NAVs. By not staying invested you might lose out on further gains." Long-term returns from equity mutual funds can be above 10 per cent. Similarly, breaking an FD that pays 8 per cent to get a discount worth 5 per cent may not be worthwhile. On the other hand, if you withdraw money from a savings account, which pays 3 per cent, to earn a lumpsum discount of 5 per cent, that could be a good decision.

In some cases, it makes sense to go for a no-cost EMI if that means you don't have to break an investment, even if you have to forgo the small discount available on lumpsum payment. Thus, a cost-benefit analysis needs to be done before choosing an option.

Experts have two suggestions regarding taking a loan to make a purchase. One, when you take a loan, there are always costs attached, though they may be hidden. Says Bengaluru-based financial expert Mrin Agrawal: "It is always better to save and buy a product instead of taking a loan. There is always an interest component in a loan though it maybe camouflaged." And two, experts are currently advising against all forms of debt. Says M. Barve, a Mumbai-based financial advisor: "In a time like this, when the markets are tanking, the economy is slowing down and jobs are at risk, taking on additional debt should be avoided."

DISCOUNT EARNED SHOULD EXCEED INTEREST EARNED

Assuming you buy a laptop for ₹1 lakh

Type	Savings account	Fixed deposit	Lump sum discount
Interest	4%	8%	10%
Gain from paying lump sum	6%	2%	10%
Gain (₹)	6,000	2,000	10,000

Source: MB Wealth Solutions

EMKAY STUDY

Passive global funds, algos might have magnified stock crash

ASHLEY COUTINHO
Mumbai, 16 March

The sell-off from passive global funds and algorithm-driven strategies might have exacerbated the stock market crash.

Nearly two-third of the $4.6 billion (₹34,000 crore) of net selling in Indian equities by foreign portfolio investors (FPIs) from February 19 till now has come from passive funds, estimates a report by Emkay Global Financial Services.

This is based on a study of about 200 exchange-traded funds (ETFs), with combined assets under management of $1.5 trillion that have an average India allocation of nine per cent. In this period, these ETFs saw outflow of $25 billion, the brokerage said.

ETFs make up roughly $38 bn (₹2.8 trillion) of the passive money coming into India. Of this, India-dedicated ETFs managed assets of a little over $10 bn (₹74,000 crore) as of end-December 2019.

A passive portfolio management aims to mimic the investment holdings of a particular index. Index funds, for instance, are a type of mutual fund with a portfolio constructed to match or track the components of an index, such as the Nifty 50. They purchase stocks in the same proportion as the weight of these in the index. This means these funds are supposed to perform in line with their benchmarks, except for a small difference known as the tracking error.

ETFs are similar to index funds, except that these may be bought and sold on the exchanges. They're preferred by institutional investors.

Both index funds and ETFs have seen significant inflow in developed markets over the past few years. The recent selloff, therefore, has also been led by these. Global funds such as BlackRock, Templeton and Fidelity could have 10-30 per cent of their investment routed through passive strategies, reckon experts.

"The selling can be exacerbated, as ETFs simply execute sell orders of the underlying investors. They cannot take a call on repurchasing shares at lower levels when valuations are attractive or sell stock X to buy Y or hold/deploy cash as is the case with active funds," explains U R Bhat, director at Dalton Capital Advisors. "The stampede to make an exit, with no regard to price or valuation, and the lack of buyers, can push prices down further."

Selling by hedge funds with algo-based stop-losses (orders to sell when the price drops to a pre-specified level) could have got triggered in this market as well, he added. "These funds can go on a selling spree when stop-losses are triggered."

Algorithmic trading, where a computer automatically executes trades based on pre-programmed instructions, was introduced in India in 2009. It now contributes to about two-fifth of exchange volumes. This figure is over 80 per cent of volumes in developed markets such as America.

COMMODITIES

PRICE CARD

As on Mar 16	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,677.0	-4.9	1,885.0	-0.8
Copper	5,530.5	-10.2	5,937.8	-7.5
Zinc	1,986.5	-12.5	2,100.4	-18.9
Gold ($/ounce)	1,460.3*	-1.1	1,668.2	0.5
Silver ($/ounce)	12.3*	-27.9	15.3	-20.7
ENERGY				
Crude Oil ($/bbl)	28.9*	-56.9	33.5	-49.1
Natural Gas ($/mmBtu)	1.8*	-23.1	1.8	-21.8
AGRI COMMODITIES ($/tonne)				
Wheat	180.8	-5.3	269.3	-10.5
Maize	181.0*	-2.5	219.3	-23.3
Sugar	343.4*	-2.4	464.8	-4.3
Palm oil	577.5	-19.8	942.5	-16.3
Rubber	1,466.1*	-8.4	1,750.4	-6.2
Cotton	1,284.9	-13.0	1,416.1	-11.2

* As on Mar 16, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 74.3& 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

Sebi backs China model: One commodity, one exchange

Notes the adoption of such a model helped the nation influence prices globally

RAJESH BHAYANI
Mumbai, 16 March

To deepen and grow commodity markets here, with an intention to make the country a price setter than a price taker in the segment, the Securities and Exchange Board of India (Sebi) has proposed a 'one commodity, one exchange' model.

At present, multiple exchanges are allowed to launch contracts in the same commodity, to enable competition and choice for investors. The Multi Commodity Exchange (MCX) is a major player in metals, precious metals and energy contracts. The National Commodity and Derivatives Exchange (NCDEX) is one in the agricultural segment; Indian Commodity Exchange (ICEX) in diamonds, paddy and steel.

Sebi feels if an exchange focuses on one or two commodities, it could be developed meaningfully. In the current system, it thinks, the exchanges' focus is on meeting the competition, rather than developing a market in their own commodities. And, liquidity gets fragmented.

An industry official who agrees said on condition of anonymity: "There is need for an approach similar to product patents for commodity contracts. When one exchange does a proper research and launched a contract, it is easier for another to duplicate that. Sebi's proposal is good in that way — when one exchange brings some uniqueness, it would then get time and enough incentives to develop and create liquidity in that contract."

So far India has been a major consumer or producer in wheat, rice, pulses, spices, cotton, tea, rubber, iron ore, steel, gold, silver and diamonds. In diamonds, rice, rubber, sugar and iron ore, among others, it is a major global importer or exporter.

CHINA LEADS THE PACK

DALIAN COMMODITY EXCHANGE: Soybean, iron ore and egg

ZHENGZHOU COMMODITY EXCHANGE: PTA, apple and cotton

SHANGHAI FUTURES EXCHANGE: Rubber

SHANGHAI GOLD EXCHANGE: Gold

SHANGHAI INTERNATIONAL: Gold, silver and platinum

ELSEWHERE IN THE WORLD

TOCOM: Rubber

LME: Non-ferrous metals

BURSA MALAYSIA: Crude palm oil

However, India is not yet in a position to meaningfully influence the global price. Sebi refers to this in a concept paper it issued late last week on the subject, on "global examples of some exchanges playing a significant role when they develop only one or two commodities".

China, for example, was a major producer or consumer in several commodities but began significantly influencing global prices only after it launched exchanges focused on certain commodities. British, Malaysian and US exchanges also provide examples of how exchanges focused on one or two commodities or one segment have been able to assume a leadership role.

Sebi wants to develop a similar model in India. One where exchanges will have to select a commodity in which only that bourse can dealin -- it would then have to develop the market for that commodity in three to five years, after which other exchanges may be allowed in.

Sebi notes that when this comes about, a particular bourse "should not misuse a monopolistic position and ensure market integrity is not compromised".

Sebi has also proposed that an exchange select two or three goods from a notified list of 91 commodities on which no derivative products have been launched by any other. The exchange could offer liquidity enhancement benefits and Sebi would relax the rules on daily and position limits, and daily price limits, in such cases.

Narinder Wadhwa, president, Commodity Participants Association of India, says he is not in favour. "A single exchange, single commodity approach is not advisable; it can make exchanges unviable," he feels. "For the development of commodities markets, the regulator should consider a proposal that when any exchange wants to introduce a contract which may be traded on another exchange, the latter come out with some uniqueness in that rather than duplicating the existing contract."

Coronavirus to take heavy toll on garment exports

T E NARASIMHAN
Chennai, 16 March

Readymade garment exports dropped by around 4.51 per cent to $1.437 billion in February 2019 compared to last year.

Exporters said the coronavirus (COVID-19) outbreak will impact exports for the next few months. This is because nearly 80 per cent of retail shops in western countries have shut due to the virus.

According to official data, while from December 2018 exports have been growing till May 2019 on a month-on-month basis, they have been falling since December 2019.

Exporters have attributed the drop mainly due to COVID-19, which impacted sentiment in the European market — the largest for Indian exporters.

Sales have dropped by almost 80% in the last two weeks

Raja M Shanmugam, president of Tirupur Exporters' Association, which represent traders who export garments worth around ₹25,000 crore every year, says, "With the outbreak started in China, initially, it was looking like an opportunity for Indian exporters. This was because European customers, who were traditionally sourcing from China, started discussions with Indian exporters for new orders. But ever since the virus started spreading to Europe, in the last one or two weeks, things have turned upside down."

For orders placed, delivery is taking much more time than usual. This it the primary reason for the fall in exports.

T Thirukumaran, managing director, Estee Exports, one of the leading garment exporters, agrees.

He said that as most countries are under lockdown, stores are shut due to restrictions by their governments and people don't go out and stay at home. The drop is mainly due to weak buying and many customers' going bankrupt or witnessing lower sales.

"The outlook for the future is very bleak due to coronavirus as many stores have shut all over Europe. Sales have dropped by almost 80 per cent in the last two weeks and this is going to continue until the virus is tamed," he said.

In Italy and France, where COVID-19 cases have been rising rapidly, all non-essential retail stores have been ordered to shut down. This forced Abercrombie & Fitch, New Jersey, Buck Mason, Everlane and Walmart to reduce working hours.

Brands pick up the viral trail

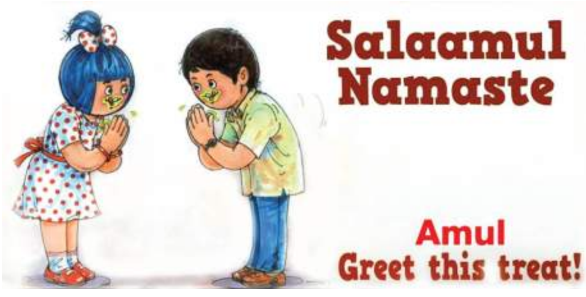
From advisories and warnings to smart witticisms, brands across categories are reaching out to consumers over the shadow of Covid-19

SOHINI DAS
Mumbai,16 March

As the world fights the menace of a new crown shaped virus named COVID-19 that has disrupted the global order, brands have also jumped on to the bandwagon to 'educate,' stay visible and relevant and, express solidarity with consumers in the midst of a global crisis.

Hygiene brands stepped in early, with warnings and advisories on how to conduct oneself. Reckitt Benckiser has launched a *Paigham-e-Sehat* (message of health) campaign around its brand Dettol. The company said that it hopes to drive behaviour change among its target audience and is trying to reach out to 550,000 Madrasa schools across the country. Ravi Bhatnagar, director External Affairs and Partnerships, RB Health India, said, "This year we are focusing on driving behaviour change through collective community efforts. I strongly believe that this effort would help boost the movement we have gathered to reach the desired goal of overall cleanliness and health."

Sanitiser, disinfectant, health and wellness brands have a huge role to play in such times say several companies and brand experts, as they can keep the panic down, and of course, strike some business gains in the process. But cleanliness is on the mind of non-hygiene brands too. Amul, Zomato, Jio Cinema are among some that have used their social media handles to talk cleanliness as the antidote to a virus that still has no cure.



(*Top*) Amul has many ads on the virus, while Netflix and Maharashtra have used humour and visual imagery to get the message across

Restaurants and foodtech brands are using their online channels to emphasise upon the safety protocol that they follow, hoping to keep customers coming back and their businesses running. Sandeep Goyal, chief mentor, Indian Institute of Human Brands (IIHB) said, "First and foremost it is no laughing matter. So humour, howsoever subtle, is just completely a no-no. Tone and content needs to be informative, positive and optimistic."

Tech brands and social media giants have stepped in to warn people against misinformation campaigns and open up the flow of conversations in crisis-hit countries. On Twitter's timeline, for instance, a post reads: "We want to help you access credible information, especially when it comes to public health. We've adjusted our search prompt in key countries across the globe to feature authoritative health sources when you search for terms related to #coronavirus."

Google's Sundar Pichai has used his social media handles to convey his company's efforts at fighting the crisis. "We want to help businesses and schools impacted by COVID-19 stay connected: starting this week, we'll roll out free access to our advanced Hangouts Meet video-conferencing capabilities through July 1, 2020 to all G Suite customers globally," he wrote.

One of the most impacted, the travel and tourism industry, is dealing with a crisis of far bigger proportions than the rest. Not only must they offer a warning and advisory against travel, thereby taking a hit on their business, but they also have to ensure that the crisis does not snap the ties that they have built with their consumers.

Rajesh Magow, group CEO, MakeMyTrip said, "The government's decision to cancel all visas, with a few exemptions, is timely. It is critical to take account of inflow of persons from 110 affected countries." While the firm did not quantify the impact on its business, it admitted to a slowdown that would hit the upcoming school holidays season. Both IndiGo and SpiceJet have (following the DGCA order) said that they would not charge any fees for changing travel dates. At the same time, they are assuring passengers of clean aircraft, trained ground and flight staff and a commitment to battle the crisis at hand.

Some brands are keeping the tone light, Amul's topical posters focus on cleanliness but in its typical style, with a witty turn of phrase. One said, 'Better *saaf* (clean) than sorry!' Fintech brand Paytm pitched for online transactions, 'Stay Safe #Paytm Karo' it said. Food delivery app Zomato asked people to wash their hands before a meal. Its Twitter communique was written in tiny font, so that one had to zoom and read, just as one would easily miss out the 'tiny germs' if one didn't clean up well or follow the requisite guidelines.

Amidst all this hype and rush, Goyal felt that it was important to abstain from putting out information that is unsubstantiated. "Brands either need to be part of a possible solution or maintain a dignified silence," he said.

FROM PAGE 1

Markets on crash course

Experts said investors are perceiving the central bank's actions as desperate attempts to provide some cushion to the market, which is undergoing one of the worst meltdowns in history. "Investors have interpreted the actions by various central banks as a sign that the COVID-19 impact on the global economy could be far worse than initially thought, and central banks are not left with too many bullets," said Abhiram Eleswarapu, head of India equity research, BNP Paribas.

Holland said: "Probably, we need a stronger response from the government in terms of fiscal measures to calm the markets, we are going to go through this volatile mood as the number of fresh cases peak."

Currently, the benchmark indices are down 25 per cent from their record highs logged in mid-January. On Friday, the domestic markets had rebounded 16 per cent from intra-day lows. However, the relief proved to be short-lived.

FPIs on Monday sold shares worth ₹3,809 crore, extending their one-month selloff to ₹50,000 crore. Domestic institutional investors continued to provide buying support. They net-bought shares worth ₹2,614 crore on Monday. Markets experts say investors should brace for more volatility and corrections due to the economic uncertainty caused by the pandemic. "Markets could likely remain volatile until the incidence of new cases globally has peaked. This process could take a few weeks or even months, using the examples of countries like China and Korea, which seem to have been successful in controlling new cases," said Eleswarapu.

RBI: Don't rush to...

Das said the RBI had enough instruments for use if needed — they would be deployed at a time that would maximise impact. He also indicated the next rate cut might not come before the first week of April, when the Monetary Policy Committee is to meet. An out-of-turn meet is possible, though. Rather, the governor and his deputies took the opportunity to allay worries on YES Bank. The moratorium placed on withdrawal of deposits from the stricken lender gets lifted at 6 pm on Wednesday. The governor requested depositors not to be in a hurry to withdraw, as "never in the history of banks (in India) have depositors lost their money. The point is, depositors' money is absolutely safe."

SBI Chairman Rajnish Kumar said the statements on YES Bank by the RBI governor will "reassure the markets further", while the additional liquidity through LTRO and swap transactions "will ensure the twin objectives of further compression in term structure of interest rates and ensuring dollar liquidity."

On the impact of COVID-19 , Das said India, while not immune, is not directly linked to the global supply chain that has got hit the most. RBI, he said, is in the process of ascertaining the impact the virus could have on the economy. He said they'd been taking "calibrated measures" to boost confidence, with the markets having indicated liquidity was comfortable. Banks have been asked to encourage more of digital payments as 'social distancing' becomes the norm. While the RBI has "several policy instruments at its command and stands ready to use them", such a response can "neither be premature, nor delayed", so that optimum impact is achieved, the governor said. "I don't rule out anything. Depending on the evolving situation, RBI will take appropriate action," the governor said.

Central bank injects dollars

ON Monday, the Reserve Bank (RBI) conducted $2-billion in sell-buy swaps to increase availability of dollars in the market. The total of 19 bids received amounted to $4.67 bn, while the cut-off premium was 156 p. It will conduct another swap of $2 bn on the coming Monday, Das said. The RBI will also be infusing ₹1 trillion of liquidity in the system through long-term repo operations (LTRO), the first tranche of which would be on Wednesday for ₹25,000 crore. The duration of the LTRO will be three years.

DoT moves SC...

The petition has also told the court that the companies be allowed to pay the unpaid or remaining dues in annual installments spread over 20 years, "duly protecting the net present value of the said dues using a discount rate of 8 per cent (based on one year marginal cost of lending rate of SBI)."

"Interest on unpaid amount, penalty and interest on penalty in relation to the past dues as on the date of the judgement of the SC (October 24, 2019) will not be levied beyond the date of the said judgement," a source said quoting the petition.

However, the DOT's plea said the telcos shall continue to be liable for interest, penalty and interest on penalty for unpaid dues of licence fee and spectrum usage charges, which arise prospectively after the SC judgement of October 24, 2019.

In the October 2019 verdict, the SC had upheld the government's position on including revenue from non-core businesses in calculating the annual AGR of telecom companies, a share of which is paid as licence and spectrum fee to the exchequer. Sources said the DoT may have sought a relaxed payment schedule for the companies for as long as 20 years, but there were licences that expire much before that time period.

Deferring a hearing on the plea (modification petition) by mobile carriers such as Airtel and Vodafone Idea for extension in the payment schedule, SC on February 14 had asked companies to deposit their past dues for spectrum and licences immediately. The modification plea was scheduled for a hearing on March 17.

New rules set to clamp...

For this purpose, the government has proposed to insert a definition for ongoing projects — "a multi-year project undertaken by a company in fulfillment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced..."

Companies in a separate form will have to provide the details of CSR amount spent or unspent for the preceding three financial years, according to the proposed rules.

"These rules are complex but should bring greater scrutiny and transparency to make sure laws are not abused by anyone," said Ankit Singhi, partner, Corporate Professionals.

The proposed rules also require that the chief financial officer or the person responsible for financial management to certify that the CSR funds have been utilised for the purpose and in the manner approved by the board of a company.

The responsibility of the CSR committee has also gone up for formulating and recommending to the board an action plan in pursuance of its CSR policy.

It is also proposed to insert a new provision relating to the impact assessment of CSR projects undertaken by the company. It will be applicable on a company having the obligation of spending an average CSR amount of ₹5 crore or more in the three immediately preceding financial years.

As recommended by a high-level committee on CSR, the rules propose setting up of a national CSR fund which will be utilised for the purposes of projects in the areas specified in Schedule VII - such as Swachh Bharat Kosh and the Prime Minister's Relief Fund among others. The guidelines and the administration of the fund are yet to be notified.

Also, there's a proposal to include a new provision relating to surplus arising from CSR projects. The surplus shall be ploughed back into the same project or transferred to the unspent CSR account, to be opened by a company.

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Very Hard: ★★★★★

Solution tomorrow

HOW TO PLAY

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France slaps Apple with record €1.1-billion fine

France's competition authority slapped a record €1.1 billion ($1.2 billion) fine on US tech giant Apple on Monday for anti-competitive behaviour towards its independent retail distributors. The authority said it found that Apple acted to prevent independent retailers in France from competing on price and abused its economic power over them.

The head of the authority, Isabelle de Silva, said it was "the heaviest fine against a firm" as well as in any case, which also included two of Apple's wholesalers in France who were hit with fines worth nearly €140 million. The case began in 2012 when one of Apple's independent premium resellers complained about uncompetitive practices.

The authority found three areas of anti-competitive behaviour.

The first was that Apple and its wholesalers agreed not to compete against one another. Second, independent retailers "could not without risk undertake promotions or lower prices, which led to an an alignment of retail prices," said de Silva.

"Finally, Apple abusively exploited the economic dependence of these Premium resellers on it and imposed unfair economic conditions on them that were worse than those for its integrated network of retailers," she added.

AFP

Some hotels turn into quarantine spots

ANEESH PHADNIS & SHALLY SETH MOHILE
Mumbai, 16 March

COVID-19 has hit the global tourism industry. Analysts say occupancy levels across hotels in the country have dipped to 30-32 per cent. But a limited number hotels near the airports in Delhi and Mumbai have started getting some guests — albeit, those that are being mandatorily sent by the governments.

Since Sunday night, these new quarantine spots are being used for passengers from seven high-risk countries — China, Italy, Iran, South Korea, France, Germany, and Spain — as part of new protocol to fight COVID-19. On Monday, the list was expanded to include flyers from UAE, Qatar, Oman, and Kuwait.

Upon arrival, passengers from these countries are being screened at public hospitals and, based on risk-profiles, shifted to isolation facilities. Those with fever or cough are being isolated. Those in medium- or low-risk category are being quarantined at a public hospital, for free, or have an option to quarantine themselves at a hotel, with highly discounted rates. New Delhi's district magistrate Tanvi Garg on Sunday ordered Ibis, Red Fox, and Lemon Tree hotels in Aerocity to provide 36 rooms for setting up of paid quarantine facilities. The directive was issued under Disaster Management Act and Delhi Epidemic Disease regulations.

On Monday, the Brihanmumbai Municipal Corporation said Mirage Hotel near the airport had been activated as a quarantine facility for flyers. After 24 hours, guests will be asked to quarantine themselves at their homes and will be monitored regularly by local health workers.

All hotels in Delhi's Aerocity, including Marriott, Ibis, Pullman, Pride, and Novotel, were called for a meeting on Sunday afternoon and, subsequently, a circular was issued. Similarly, a meeting of municipal and government officials was held in Mumbai on Monday to finalise hotels to be used for quarantine. "The government reached out to us for support and we are fully prepared to offer the requisite facilities. We tick all the boxes," said J B Singh, president and chief executive at InterGlobe Hotels that owns and runs the Ibis brand of hotels. A few guests checked-in on Monday, he said. The hotels chosen by the government have to follow certain guidelines on room rate, number of meals, hygiene, monitoring, and other amenities, according to the Delhi government order. For instance, the rate per room has been fixed at ₹3,100 plus applicable taxes. The rates being offered to the guests from high-alert countries is almost half of the hotel's normal rates as per government order.

Also, meals to such guests can be served only in disposable utensils and latter's movement has to be monitored through CCTVs. "All our hotels maintain high levels of hygiene," Singh said. "They are not affected people they just need to be kept in isolation. Should a need arise, Ibis is prepared to offer more rooms," said Singh.

A Lemon Tree Hotels spokesperson said: "We have been asked to provide rooms for isolation and follow certain process. We are working in a coordinated way with the government. These are travelers, who are asymptomatic. They just need to be isolated for observation. We have to service them in a manner that they (guests) do not have to move around much," she said.

In Mumbai, Seven Hills Hospitals is being used for quarantine of passengers from the seven countries. Passengers are being shifted in an air conditioned bus to the hospital. While the hospital quarantine is free, the hotel facility is optional and on payment basis.

Government mulls campaign to halt panic buying

SOHINI DAS
Mumbai, 16 March

Such is the scare of the new coronavirus that protective gear such as masks and sanitisers are briskly going out of stock from retail outlets.

The government is contemplating launching a consumer awareness campaign, telling people not to panic while buying these items.

Meanwhile, manufacturers, especially micro, small and medium enterprises (MSME's) are seeing a short-term opportunity in this and are lining up to make these products.

Sample this: The Gujarat Food and Drug Control Administration (FDCA) has approved 100 product licences for hand sanitisers in the last one week alone. Speaking to Business Standard, HG Koshia, commissioner of Gujarat FDCA, said the government has approved product licences on a fast-track basis to ensure that there was no shortage of these items in the market.

"We gave 100 licences to around 40 manufacturers to make hand sanitisers in the last one week alone," he said.

Sanitisers are a ₹300-350-crore industry in India, and in the last one month, the demand has jumped 10-fold, claimed industry sources. Manufacturers are registered with state FDAs and there is no centralised database in this regard.

Prices of masks (especially N95) and santisers as well as gloves have shot up significantly in the past few weeks. Masks, for example, are selling for ₹40-50 a piece, up from ₹10 a piece. Similarly, for N95 masks, which are considered to be more effective against viruses, the prices have shot up from ₹150 per mask to ₹500.

The health ministry has placed orders for eight million masks and other protective gear for healthcare workers.

Sensing this supply-demand disruption, the government last week invoked the Essential Commodities Act, 1955 to declare these items as essential commodities till June 30.

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