

19 ECONOMY

GOLD	RUPEE	OIL	SILVER
₹39,719	₹74.24	\$30.59	₹35,948

*Indian basket as on March 16, 2020

SENSEX: 30,579.09 ▼ 810.98 NIFTY: 8,967.05 ▼ 230.35 NIKKEI: 17,011.53 ▲ 9.49 HANG SENG: 23,263.73 ▲ 200.16 FTSE: 5,097.23 ▼ 53.85 DAX: 8,649.88 ▼ 92.37

*International market data till 1900 IST

30-SHARE INDEX FALLS 811 POINTS TO CLOSE AT 30,579.09; RUPEE PARES INITIAL GAINS

Sensex on downward spiral, Nifty ends below 9,000

ENS ECONOMIC BUREAU
MUMBAI, MARCH 17

THE SENSEX and Nifty on Tuesday suffered a free fall in the last hour of trade for the second consecutive session with the Nifty plummeting below 9,000 for the first time since March 2017.

The Sensex plunged 811 points, or 2.58 per cent, at 30,579.09, while the broader Nifty index closed at 8,968, down 230 points, or 2.51 per cent, as concerns over the coronavirus across the globe continued to weigh on the markets. Barring the FMCG and pharma indices, all sectoral indices finished in the red.

Foreign portfolio investors continued their selling spree and pulled out another Rs 4,000 crore from the equity

EXPLAINED

FPIs on selling spree, volatility to continue

FOREIGN PORTFOLIO investors continued their selling spree and pulled out another Rs 4,000 crore from the equity market. With this, total FPI withdrawals in March have amounted to Rs 40,000 crore. Domestic institutions were buyers on Tuesday.

The impact of coronavirus on the economy will be felt for a longer period though the exact nature and quantum of the same is difficult to estimate at current juncture. Thus, volatility is likely to continue in the near term with downward pressure on the markets.

market. With this, total FPI withdrawals in March have amounted to Rs 40,000 crore. Domestic institutions were buyers on Tuesday. The rupee

Moody's cuts GDP forecast to 5.3% in 2020

New Delhi: Moody's Tuesday lowered India's GDP growth forecast for 2020 calendar year to 5.3 per cent on coronavirus implications.

Moody's, in February, projected a 5.4 per cent real GDP growth in 2020. This was a downgrade from 6.6 per cent earlier. The 5.3 per cent real GDP growth forecast for 2020 compares to 5.3 per cent growth estimate for 2019. PTI

Siddhartha Khemka, head-research, Motilal Oswal Financial Services, said, "The impact of coronavirus on the economy will be felt for a

longer period though the exact nature and quantum of the same is difficult to estimate at current juncture. Thus volatility is likely to continue in the near term with downward pressure on the markets."

On Monday, Reserve Bank Governor Shaktikanta Das indicated the possibility of cutting policy Repo rate in the forthcoming monetary policy review. The RBI is ready to take all necessary measures to ensure that the effects of coronavirus (COVID-19) pandemic on the Indian economy are mitigated and financial markets and institutions continue to function normally, he said.

Ajit Mishra, VP-research, Religare Broking, said: "The markets across the globe are witnessing high volatility and the recent stimulus measures have failed to assuage the investor fears. On the domestic front, the markets will continue to follow the global cues and therefore further downside cannot be ruled out in the near-term. In these uncertain times, we suggest market participants to avoid risky bets and start investing in a phased manner."

Analysts said retail investors should keep calm and not panic during the volatility phase. "Long-term investors with good quality stocks should hold on to their portfolios and see through the current storm while traders should refrain taking long positions as all the global markets are in strong bear grip and all the small bounces have been used as selling opportunity. Those investors who are sitting on cash can start accumulating few high quality names in a staggered manner," Khemka said.

Write-down of Yes Bank bonds: Retail investors suffer ₹1,000-crore loss

GEORGE MATHEW
MUMBAI, MARCH 17

CLOSE TO Rs 1,000 crore of retail investors' money has evaporated after the Yes Bank management decided to write-down Additional Tier 1 bonds (AT-1) worth Rs 8,415 crore. While mutual funds, insurance firms, pension funds and provident funds had invested over Rs 6,300 crore in the bank's bonds, retail investors (including non-resident Indians and others) had an exposure of Rs 996 crore and other institutional investors accounted for the balance.

The bank last week said the perpetual subordinated Basel III compliant AT1 bonds worth Rs 3,000 crore issued on December 23, 2016 and AT1 bonds worth Rs 5,415 crore issued on October 18, 2017 "have been fully written down and stand extinguished with immediate effect".

On Tuesday, Yes Bank Administrator Prashant Kumar refused to comment anything beyond this, saying "the matter is sub judice". The Yes Bank write-down is expected to cast a shadow over the remaining Rs 84,500 crore AT-1 bond exposure of the banking sector (excluding Yes Bank) and impact future bond issues, analysts and rating agencies have said. Retail investors had invested Rs 466 crore in the first AT-1 bond issue (Rs 3,000 crore) and Rs 530 crore in the second issue (Rs 5,415 crore), according to the data available from fund houses. AT-1 bonds are unsecured perpetual bonds — with no maturity — issued by banks to shore up their capital base to meet Basel III requirements, but carry higher coupon due to the risk involved. While Yes Bank's Basel III Tier-2 bonds maturing in 2027 had a coupon of 7.8 per cent in October 2017, coupon on AT-1 bonds was 9 per cent. "Most of the retail investors were not aware of the high risk involved in AT-1 bonds and they went by the higher returns. AT-1 bonds offer 1.5 to 2 per cent interest rate more than other instruments," said an analyst.

Some of the big investors have already approached the Bombay High Court against the bond writedown. Retail investors said the bank's relationship managers (RMs) approached fixed deposit holders to convert their FDs into high-yielding AT-1 bonds, but these RMs kept depositors in the dark about the high risk involved in such bonds. "Yes Bank RMs using the bank database converted FDs of senior citizens... they lured them (depositors) to invest in AT-1 bonds which has now been written down. Their lifetime sav-

AT-1 BOND OUTSTANDINGS

(Call option as on April 1, 2020)	
SBI	₹27,432 cr
ICICI Bank	₹10,120 cr
HDFC Bank	₹8,000 cr
BoB	₹7,147 cr
Axis Bank	₹7,000 cr
PNB	₹5,250 cr
IndusInd	₹4,000 cr
Union Bank	₹4,250 cr

Source: ICRA

ings are now worth zero," an investor tweeted.

"I was sold these bonds by Yes bank senior staff and they convinced me it was a very safe debt option. As a holder of this AT-1 bond, I vehemently reject the draft scheme of reconstruction of Yes Bank," said another investor. "My retired father has also invested in DHFL NCDs. There also our money is stuck. For a tax paying honest citizen, what are you people leaving us as a choice? I can't put my money in debt mutual funds, I can't put money in bonds, FD interest rates are going south every other month and I don't have any pension as I was not a government servant. If these bonds were so risky, why did the RBI allow them to be sold to gullible retail investors. Ultimately it is all retail investors who are impacted by these bonds becoming zero," another investor tweeted.

While retail investors who flooded Twitter against the writedown said they were attracted by the high interest rate, most do not have the financial acumen to read the fine print on the risks. "I had invested all my savings in Yes Bank AT-1 perpetual bonds, being advised that bonds safer instrument for investment. I invested for my son's higher education. As a mother and a working lady, I am devastated. It is my hard earned money," tweeted a bondholder.

As per ICRA's estimates, Rs 93,669 crore of AT-1 bonds will be outstanding as on date (Rs 84,574 excluding Yes Bank), of which Rs 39,315 crore will be of private banks (Rs 30,620 crore excluding Yes Bank). Most of these bonds were issued during FY2017 and FY2018, with first call option after fifth year from issuance and, hence, large bonds are due for call in FY2022 and FY2023. Amid risks from the recent event, investors' appetite for future issuances of AT-1 bonds will reduce, thereby constraining banks from rolling over these bonds by exercising call option and fresh issuance, ICRA said.

SECTOR WATCH TELECOM

Gujarat Model of VRS: Ex-gratia plus pension payout to be capped for BSNL, MTNL staff

AASHISHARYAN
NEW DELHI, MARCH 17

THE CENTRAL government used what it calls a 'Gujarat Model' of voluntary retirement scheme (VRS) for the payout of the nearly 93,000 Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL) employees, who retired on January 31, 2020, according to papers accessed by *The Indian Express*.

The model, first conceptualised to offer VRS to state-owned sick or incipient sick public sector undertakings (PSUs) of Gujarat, limits the immediate dues payable by companies. It was first used to offer VRS to some employees of now Reliance Industries Ltd (RIL)-owned Indian Petrochemicals Corporation Ltd (IPCL) and later to employees of Gujarat State Petroleum Corporation Ltd (GSPC).

Under the VRS model offered to BSNL and MTNL employees, the ex-gratia payout for retiring employees was limited to 35 days for every completed year of service and 25 days for each year of balance service left until actual date of retirement.

Since the VRS offer was only for employees in the 50-60 age group, the staffers were divided into two groups. For employees above the age of 55 who opted for VRS, the lump sum pension would be offered only when they attain the age of 60, while for employees below the age of 55, the pension would be commuted only in 2024-25. The payment of gratuity, too, will be postponed in a similar manner, according to the documents accessed by *The Indian Express*.

Apart from this, the ex-gratia-plus-pension payout will also be capped at 125 per cent of the current basic and dearness allowance. To further check its payment outgo, the government has also decided that, as of now, it would give the ex-gratia payment only for 40 months, even if a staffer's period of service left was more than that as of January 31, 2020. In cases of voluntary retirement from PSUs where the Gujarat Model is not applied, the retiring staffer's ex-gratia is lump sum of his dues accrued over the years, which is then added to the remaining service period's salary and paid out in one go.

The government also plans to use the Gujarat Model to offer VRS scheme to eligible BSNL and MTNL employees for the next 10 financial years. It aims to finally trim and keep the staff-strength at BSNL at 50,000 in

In the BSNL-MTNL case, apart from limiting its ex-gratia and pension payout, the Centre tweaked the model suitably to pay as less as possible for the time being

2027-28, and at nearly 2,600 at MTNL in the same financial year. This staff-strength has been calculated by including both hiring and retirements as well as VRS, the documents showed.

At IPCL, originally a state-owned enterprise, the first VRS under the Gujarat Model was offered to the employees in 2003, when the government had divested its 26 per cent stake to Reliance Petroinvestments Ltd, the then Reliance Group company. About 1,800 employees had opted for the VRS then. The scheme was repeated in 2005, when about 600 staffers opted for it.

In the BSNL-MTNL case, apart from limiting its ex-gratia and pension payout, the government has tweaked the model suitably to pay as less as possible for the time being. For example, for a retiring employee with salary of Rs 10,000 and 40 months of service, though the ex-gratia and pension benefit payment for the remainder of service would come to around Rs 6 lakh, the actual payout done will be 125 per cent of their respective current salary or Rs 5 lakh.

However, for employees with 79 or more months of service left, lump sum ex-gratia plus pension will be paid as it is less than 125 per cent of their salary, the documents showed.

"This saves the PSU the trouble of immediate huge payout bill. While the ex-gratia payment has been decided for payment between this and next financial year equally, the pension payout will be over the next ten years," a senior DoT official explained, adding the immediate estimated savings would be around Rs 2,000-2,500 crore.

The VRS option for BSNL and MTNL employees was floated by the central government between November 4, 2019 and December 3, 2019. Of the 1,53,000 employees working for BSNL when the VRS scheme was approved in October 2019, over half — 78,569 employees in all — opted to retire, while at the smaller MTNL, which had an employee strength of over 18,000, nearly 80 per cent — 14,400 employees — opted for VRS.

Oil sinks below \$30, Wall Street gains on Fed move to buy corporate debt

REUTERS
LONDON/BENGALURU, MAR 17

OIL FELL below \$30 a barrel on Tuesday to its lowest since 2016 as the coronavirus pandemic hits economic growth and oil demand while Saudi Arabia and Russia battle for market share.

Brent crude slipped 1.5 per cent to \$29.57 a barrel at 1316 GMT, having earlier touched \$29.44, the lowest since January 2016. US West Texas Intermediate (WTI) crude rose 0.7 per cent to \$28.91.

US President Donald Trump warned on Monday that the United States may be heading into recession as economic activity across the globe slowed and stock markets tumbled.

US stocks reversed early losses to trade higher on Tuesday as the Federal Reserve said it would relaunch financial crisis-era purchases of short-term corporate debt to thaw credit markets strained by the coronavirus pandemic.

The move to buy back Commercial Paper follows several emergency measures taken by the US central bank on Sunday, including slashing interest rates to near zero, which sent the main indexes tumbling 12 per cent Monday.

At 10:50 a.m. ET, the Dow Jones Industrial Average was up 128.26 points, or 0.64 per cent, at 20,316.78, the S&P 500 was up 57.81 points, or 2.42 per cent, at 2,443.94. The Nasdaq Composite was up 179.22 points, or 2.60 per cent, at 7,083.81.



Passengers wear protective suits, amid the outbreak of coronavirus, at Hong Kong International Airport. Reuters

Mnuchin: Markets to stay open but could shorten trading hours

ASSOCIATED PRESS
NEW YORK, MARCH 17

TREASURY SECRETARY Steven Mnuchin says the financial markets will stay open for people to access their money during the coronavirus outbreak.

Mnuchin says at a White House briefing Tuesday that shorter hours may still be necessary. But he says banks and other institutions will not shut down as the US grapples with the pandemic.

Mnuchin recalls that financial institutions closed after the 9/11 terrorist attacks because of disruptions to technology. He says that's not the case in the current situation.

Says Mnuchin: "We absolutely believe in keeping the markets open."

The stock market has doubled its gains as members of the Trump administration provide details about plans to support the US economy during the coronavirus outbreak.

Included in whatever economic bailout package comes forth will be substantial financial aid for the airline industry. Shares of big carriers such as American and United have been pummeled as countries restrict travel and travelers choose to stay home.

The US airlines have asked the federal government for grants, loans and tax relief that could easily top \$50 billion to help them recover.

Trump seeks \$850 bn stimulus package, wants to send Americans \$1,000 checks

REUTERS
WASHINGTON, MARCH 17

THE TRUMP administration on Tuesday pursued a massive \$850 billion stimulus package to buttress a US economy reeling from the coronavirus threat, while the streets of major American cities emptied in response to stepped-up warnings about the pandemic.

US Treasury Secretary Steven Mnuchin on Tuesday planned to discuss the proposed \$850 billion stimulus package when he meets with Senate Republicans at the Capitol, according to a US government official who spoke on the condition of anonymity. The package would include \$50 billion for airlines — hard hit by the pandemic — and \$250 billion for

small business loans. The Senate on Tuesday prepared to weigh a multibillion-dollar emergency spending bill passed by the House of Representatives on Saturday.

Trump announced a plan on Tuesday to send money to Americans immediately to ease the economic shock from the coronavirus crisis and said military-style hospitals will likely be deployed to virus hot zones to care for patients. Treasury Secretary Steven Mnuchin, appearing with Trump in the White House press briefing room, said he was talking with congressional leaders on a plan to send checks immediately to displaced Americans. Trump said some people should get \$1,000.

Scrambling to get a grip on an



US President Donald Trump with Vice President Mike Pence (left) and Human Services Secretary Alex Azar during a briefing at the White House on Monday. AP

unpredictable virus that has disrupted Americans in all walks of life, Trump predicted the economic

challenge will be tough short term but that the economy will eventually rebound.

Out of stock on some popular items, working with partners to ensure availability, says Amazon India

PRESS TRUST OF INDIA
NEW DELHI, MARCH 17

AMAZON INDIA has said it is working extensively with seller partners to ensure product availability, and bringing on additional capacity for delivery, after stocks ran out on some popular items, especially in the household staples category.

With coronavirus fears prompting more and more people to shop online, the company said it is working to ensure that

prices are not artificially raised on basic need products during the pandemic and has blocked or removed tens of thousands of items, in line with its policy in this regard.

Summing up actions Amazon India has taken to minimise the spread of the coronavirus while supporting those directly and indirectly impacted by the global pandemic, the company in a blog on Monday said it has recently seen an increase in people shopping online, which, in the short term, is having an impact on how

it serves customers. "In particular, you will notice that we are currently out of stock on some popular brands and items, especially in household staples categories. You will also notice that some of our delivery promises are longer than usual."

"We are working around the clock with our selling partners to ensure availability on all of our products, and bring on additional capacity to deliver all of your orders," it said, providing an update as on March 14. "We're also working to ensure

that no one artificially raises prices on basic need products during this pandemic and have blocked or removed tens of thousands of items, in line with our long-standing policy," it added.

The company said it is actively monitoring the store and removes offers that violate its policy. "We continue to work closely with authorities in India and worldwide to ensure that we are taking the right precautions and have implemented a series of preventative health measures for employees," it said.

'Have made adequate precautions ... ATMs, branches have cash'

ENS ECONOMIC BUREAU
MUMBAI, MARCH 17

YES BANK Administrator Prashant Kumar Tuesday said "there would not be any need to depend on any external requirement for the liquidity" and its ATMs and branches have adequate supply of cash.

"We are very happy to announce that at 6 pm tomorrow (Wednesday) the moratorium would be lifted. And all our customers would be able to enjoy the entire banking services, which they used to enjoy before the moratorium was imposed," he said while addressing a media conference.

Shares of Yes Bank jumped over 58 per cent to Rs 58.65 on the BSE on Tuesday.

"We have made adequate precautions... all our ATMs and they are full with cash all our branches have adequate supply of the cash," Kumar said.

"So, from the assessment side, there is absolutely no issue on the liquidity side and it is made very clear that there would not be any need to depend on any external requirement for the liquidity. But if there is a case, then those liquidity lines are adequately available to the bank," Kumar said.

"We would also like to make a request to all our customers, there is absolutely no need to worry about the safety of your

"There is absolutely no issue on the liquidity side and it is made very clear that there would not be any need to depend on any external requirement for the liquidity"

PRASHANT KUMAR
YES BANK ADMINISTRATOR

deposits. There is no need to withdraw. The way you were doing transactions earlier you can continue to do those transactions," Kumar said.

As per Kumar, only one-third of the bank's customers, who could have withdrawn the funds during the moratorium period, have withdrawn money to the extent of Rs 50,000. About the reconstruction scheme, Kumar said that due to support from the government, the RBI and the other financial institutions, the crisis at the bank was taken care of within 13 days.

SBI Chairman Rajnish Kumar said not even a single Yes Bank share it holds would be sold before the three-year lock-in period. He also said that SBI would increase stake in Yes Bank to 49 per cent from current 42 per cent in second funding round.

On March 5, the Reserve Bank of India imposed a moratorium on the troubled private sector lender, including capping withdrawals at Rs 50,000 per depositor.