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16 pages in 1 section
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THE MARKETS ON TUESDAY

		Chg#
Sensex	30,579.1▼	811.0
Nifty	8,967.1▼	230.4
Nifty futures*	8,915.6▼	51.4
Dollar	₹74.3	₹74.3**
Euro	₹81.8	₹82.9**
Brent crude ($/bbl)##	28.3##	27.9**
Gold (10 gm)###	₹39,726.0▼	₹109.0

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

COMPANIES P2
IMPORTED LIMITED EDITIONS PUT CARMAKERS' REVENUE IN TOP GEAR

COMPANIES P2
CONSUMER DURABLE FIRMS STARE AT UNCERTAIN FUTURE

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

YES Bank looks to recover ₹8,500 crore in next fiscal

Only a third of customers withdrew ₹50K during moratorium: Administrator

SUBRATA PANDA & ABHIJIT LELE
Mumbai, 17 March

YES Bank is hoping to recover about ₹8,500 crore from its loan defaulters, mostly corporate entities, in the coming financial year (which begins April 1), said the bank's administrator on Tuesday.

In the December-quarter results, which the bank announced last week,its gross non-performing assets (NPAs) more than doubled to ₹40,709 crore from ₹17,134 crore in September.

Addressing the media a day ahead of the lifting of a moratorium on YES Bank's operations, administrator Prashant Kumar said the bank had made adequate preparations for any surge in withdrawal of deposits.

"All our ATMs and branches are sufficiently filled with cash and we will not need any external liquidity support. But, if the need comes, we have lines available," he said.

He added that only a third of customers have withdrawn the entire amount of ₹50,000 allowed during the moratorium. "We have had higher inflows than outflows in the last few days," Kumar said.

He assured that complete normalcy will be restored. RBI Governor Shaktikanta Das had on Monday assured liquidity support if the need arose. Going forward, the bank will wish to move away from dependence on bulk deposits.

"Our first priority will be to build a granular deposit base and then we would look to make our loan book 60 per cent retail (individuals and small borrowers) and 40 per cent corporate. Currently, it is 60 per cent corporate and 40 per cent retail," said Kumar.

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PAGE 10
THE MYSTERY BEHIND YES BANK'S RALLY

PHOTO: KAMLESH D PEDNEKAR

Administrator Prashant Kumar (*left*) said the bank has had higher inflows than outflows in the last few days

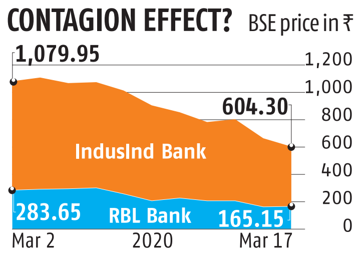
STOCK ZOOMS 58%

NEAR-TERM PRIORITIES

- Retail deposit mobilisation
- Focus on retail loans including MSME
- Quick resolution of stressed assets
- Cost optimisation
- Maintaining digital banking leadership

INDUSIND & RBL BANK HIT BY RISK AVERSION

CONTAGION EFFECT? BSE price in ₹



Source: Exchange

Stocks of IndusInd Bank and RBL Bank have been under pressure since the start of the year. With the slowdown and the recent turn of events at YES Bank, the pressure on the two stocks has increased. And analysts see more downside. Even as managements reassured investors their capital position and financials are stable, the Street doesn't seem to be in a mood to acknowledge the factors. **HAMSINI KARTHIK**

FULL REPORT ON PAGE 10

Choppy day of trade: Markets reverse all gains in closing hour

Nifty falls below 9,000 after dropping 10% in two days

SUNDAR SETHURAMAN
Mumbai, 17 March

Little respite seems to be in sight for the markets as overseas investors continue to aggressively sell amid fears of a global recession. The benchmark Nifty index on Tuesday ended below the 9,000-mark for the first time in nearly three years, while the Sensex managed to hold on to 30,000. In the last two sessions, the Nifty has dropped nearly 1,000 points, or 10 per cent, while the Sensex has lost 3,500 points, weighed down by an ₹8,000-crore pullout by foreign portfolio investors (FPIs) in two days.

On Tuesday, it appeared that the markets would get a breather as the benchmark indices opened sharply higher. In an extremely choppy day of trade, the Sensex climbed as much as 658 points, only to reverse all gains and more in the last hour of trade. At one point, the Sensex was down 996 points over its previous close of 31,390.

The Sensex finally settled at 30,579, down 811 points, or 2.6 per cent. The Nifty, on the other hand, fell 230 points, or 2.5 per cent, to end the session at 8,967, the lowest close since May 2017.

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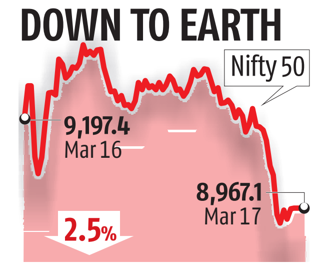
DOWN TO EARTH



NIFTY TOP 5

	Mar 17	% Chg*
GAINERS		
YES Bank	58.7	58.1
Eicher Motors	17,061.1	3.4
Hero Motocorp	1,841.2	3.2
HUL	2,004.1	3.2
Asian Paints	1,731.60	2.9
LOSERS		
Zee Ent	133.1	-20.0
IndusInd Bank	604.2	-9.0
ICICI Bank	367.3	-8.9
Bharti Infratel	194.4	-7.2
UPL	350.9	-6.9

*Change over previous day's close
Source: Exchange

MORGAN STANLEY, GOLDMAN SACHS SAY GLOBAL RECESSION UNDER WAY

Goldman Sachs and Morgan Stanley economists joined the rush on Wall Street to declare that the coronavirus has triggered a global recession. Morgan Stanley's team, led by Chetan Ahya, said a worldwide recession is now its "base case", with growth expected to fall to 0.9 per cent this year. At Goldman Sachs, Jan Hatzius and colleagues predict a weakening of growth to 1.25 per cent. S&P Global added its voice to the chorus with a report expecting growth would range 1 per cent to 1.5 per cent. Both Morgan Stanley and Goldman anticipate a rebound in the second half. **BLOOMBERG**

MOODY'S CUTS INDIA'S GROWTH FORECAST TO 5.3% FOR CY20

Moody's Investors Service on Tuesday lowered India's GDP growth forecast for 2020 calendar year to 5.3 per cent, on coronavirus implications on the economy. Moody's had in February projected a 5.4 per cent real GDP growth for India in 2020. This, too, was a downgrade from the earlier forecast of 6.6 per cent . The 5.3 per cent real GDP growth forecast for 2020 compares to 5.3 per cent growth estimate for 2019 and 7.4 per cent achieved in 2018.

Salesforce hires Arundhati Bhattacharya as India CEO

US cloud-based service provider Salesforce.com has hired Arundhati Bhattacharya, one of India's best-known former bankers, as its India chief executive officer, a source told *Reuters* on Tuesday. Bhattacharya declined to comment, while Salesforce did not immediately respond to a request for comment. **REUTERS**

Bill tabled to allow direct overseas listing of firms

The Centre on Tuesday introduced the Companies Amendment Bill 2020 in the Lok Sabha to decriminalise procedural and technical lapses and allow direct listing of securities by Indian companies in permissible foreign jurisdictions. The Bill has also laid down rules for incorporation, registration, amalgamation, and functioning of producer companies, apart from paving the way for the conversion of inter-state cooperatives into producer companies. 6

COMPANIES P2
PE/VC investments hit 24-month low of $1.7 bn

PE/VC investments in February 2020 recorded a 24-month low of $1.7 billion. These were 39 per cent lower than $2.8 billion recorded in February 2019 and 32 per cent lower compared to January 2020 ($2.5 billion). The decline in value was mainly on account of fewer large deals (value greater than $100 million). In terms of volume, number of deals in February 2020 were 21 per cent higher than February 2019.

ECONOMY & PUBLIC AFFAIRS P6
Power gencos, states owe ₹22,770 crore to coal firms

Power generating companies, especially state-owned units, owe a total of ₹22,770 crore to Coal India (CIL), Singareni Collieries (SSCL) and NLC India. Of this, CIL was owed ₹12,423 crore, as on January. SSCL was owed ₹6,286 crore. These dues of generating companies (gencos) to coal mining entities rose 16 per cent in the past year to a four-year high. Among the states, Tamil Nadu and Telangana have the highest share of dues to NLC and SCCL, respectively.

ICMR asks pvt labs to test COVID-19 samples for free

Diagnostic companies don't think it's possible

SOHINI DAS
Mumbai, 17 March

The government on Tuesday opened testing of coronavirus cases to private sector diagnostic laboratories in a move that's expected to improve screening. Pricing has not been finalised, but the Indian Council of Medical Research (ICMR) has said it would appeal to the private chains to conduct tests at "no cost" to the consumer.

According to officials, the price of the test could range between ₹9,000 and ₹12,000, depending on the type and quality of kit being used. "If reagent is available at ₹3,000, the cost of test is ₹9,000 without any margins," said a private player.

Meanwhile, the shares of top diagnostic chains in the country shot up amidst volatile market conditions. The stock of Dr Lal PathLabs ended the day at ₹1,500 a piece, up 3 per cent, while Metropolis Healthcare rose 2.4 per cent. (*see chart*).

ICMR, the apex body for formulation, coordination and promotion of biomedical research, said it would activate 51 units authorised by the National Accreditation Board for Testing and Calibration Laboratories (NABL) for COVID-19 diagnosis. Already, 72 ICMR labs are doing the tests and another 49 new government labs would be activated by the end of this week, taking the total number to 121.

Balram Bhargava, head, ICMR, and secretary, Department of Health Research (DHR), said several private laboratories had approached the organisation to be of use at this time of an outbreak.

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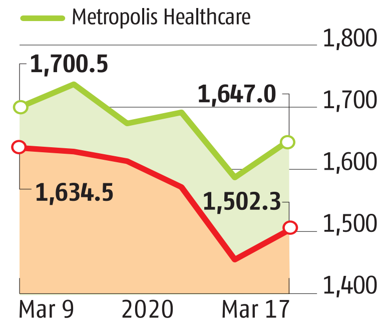
STOCK MOVEMENT in ₹



Source: Bloomberg

Have you been quarantined? PM's speeches will give you company

SUBHOMOY BHATTACHARJEE
New Delhi, 17 March

Those in quarantine in government facilities will soon get some reading material to keep them company. One of these will be a collection of speeches of Prime Minister Narendra Modi.

"We regularly distribute the copies of these speeches to various dignitaries, as well as to schools and colleges on various occasions," said a source aware of the development. The source said these could also be distributed at all the quarantine centres across the country.

The number of people in quarantine in India to prevent the spread of COVID-19, the respiratory disease caused by the novel coronavirus, is rising continually.

All international passengers coming to India are being screened at airports. Those who display symptoms like fever, cough, shortness of breath plus with a history of travel to or residence in countries reporting local transmission of COVID-19 are being compulsorily quarantined. Also those with any acute respiratory illness and who have been in contact with a person who has tested positive for COVID-19 are being sent to quarantine for 14 days.

The quarantine centres in various states offer varying standards of facilities. Besides the standard bed and blankets, the patients get food, water bottles and toiletries. So far there was no supply of any reading material.

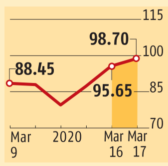
Every PM's speech has been published over the years by the government. Modi's speeches are published likewise. In addition, his monthly radio broadcasts Mann Ki Baat are made available on the websites of All India Radio.

Thermal screening of visitors being conducted in the wake of the deadly coronavirus, at the entrance of Parliament House PHOTO: PTI

INSIDE

STOCKS IN THE NEWS

India Cements

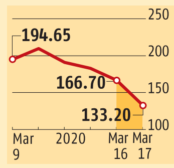


Radhakishan Damani & family hiked stake to 16% from 11.98%

₹98.70 CLOSE

▲3.19% UP*

Zee Entertainment Enterprises

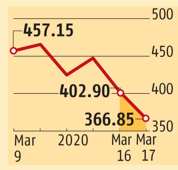


Top loser among Nifty50 index stocks

₹133.20 CLOSE

▼20.10% DOWN*

ICICI Bank

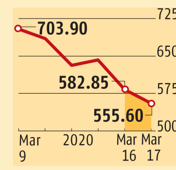


Slips to number eight position in m-cap ranking

₹366.85 CLOSE

▼8.95% DOWN*

Infosys

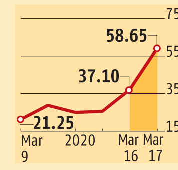


Market-cap slips below ₹2.5 trillion first time since April 2018

₹555.60 CLOSE

▼4.68% DOWN*

YES Bank



Moody's upgrades ratings; outlook changed to positive

₹58.65 CLOSE

▲58.09% UP*

*OVER PREVIOUS CLOSE

IN BRIEF

Sun Pharma board approves ₹1,700-crore share buyback

Sun Pharmaceutical Industries said its board has approved ₹1,700 crore share buyback offer at a maximum price of ₹425 per share. In a regulatory, filing the company said that the board of directors of the company, at its meeting held on Tuesday has approved the buyback of its equity shares from the open market at a maximum price of ₹ 425 per share for an aggregate maximum amount of up to ₹ 1,700 crore. "At the maximum buyback size and the maximum buyback price, the indicative maximum number of equity shares to be bought back under the buyback would be four crore equity shares which represents 1.67 per cent of the total number of equity shares of the firm," the filing said. **PTI**

NRAI advises all its members to shut down until Mar 31

The National Restaurant Association of India (NRAI) has advised all its members to shut their operations from March 18 till the end of the month in view of the increasing numbers of COVID-19 cases in the country. NRAI counts restaurants such as Smokehouse Deli, Burger King, Red Mango, and social offline chains as members. **BS REPORTER**

SBI completes acquisition of over 6% in Zero Mass

State Bank of India on Tuesday said it has acquired over 6.82 per cent stake in Zero Mass in a share transfer purchase agreement. Zero Mass (formerly Zero Microfinance and Savings Support) is a business correspondent and business facilitator. The deal is to be completed by March 31. **PTI**

NAA orders probe of all halls owned by Devgn's firm

The National Anti-profiteering Authority has asked its investigative wing to probe all cinema halls owned by Bollywood actor Ajay Devgn's NY Cinemas to assess whether the company has profiteered by not passing on the benefits of the GST rate cuts on film tickets to moviegoers. **BS REPORTER**

Lenders select SSG Capital's bid for Altico

Lenders to Altico Capital India have cleared a resolution proposal by SSG Capital offering ₹2,754 crore upfront cash and certain security receipts through certificates. Altico Capital had defaulted on interest payment to Dubai-based Mashreq bank in September, amid tight liquidity in India's credit market. **BS REPORTER**

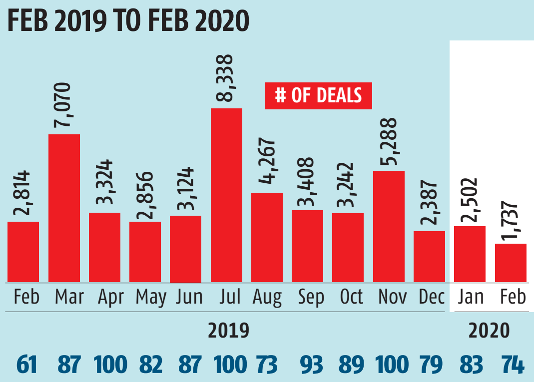
PE/VC investments hit 24-month low in Feb

Private equity/venture capital (PE/VC) investments in February 2020 recorded a 24-month low of $1.7 billion. These were 39 per cent lower than $2.8 billion recorded in February 2019 and 32 per cent lower compared to January 2020 ($2.5 billion), respectively. The decline in value was mainly because of fewer large deals (value greater than $100 million). In terms of volume, number of deals in February 2020 were 21 per cent higher than February 2019.

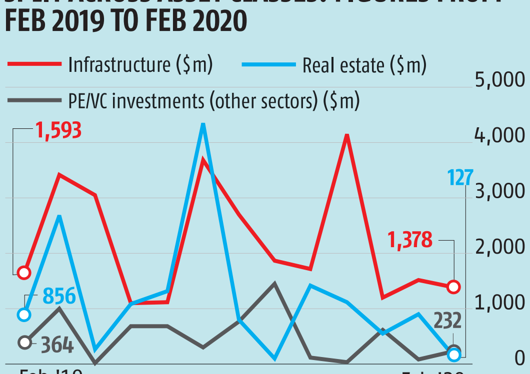
Vivek Soni, partner and national leader - Private Equity Services, EY India, said "after a good start to PE/VC investments in 2020, both investment and exit activity have declined considerably in February 2020. The decline in value of PE/VC investments is primarily because the number of large deals (over $100 million) are going down."

"We believe that with the spread of the pandemic, coupled with domestic issues concerning taxation policies impacting InvIT's and REITS and lingering issues over the financial health of some of our domestic banks and NBFCs, will act as sentiment dampeners, potentially slowing down large ticket PE/VC investments in the short term. In the medium term, as valuations moderate, we expect this dislocation to open up good opportunities for PE/VC investors," said Soni. **T E NARASIMHAN**

FEB 2019 TO FEB 2020



SPLIT ACROSS ASSET CLASSES: FIGURES FROM FEB 2019 TO FEB 2020

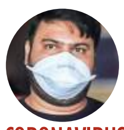


Top 3 IT firms lose $31 bn in a fortnight

STOCK MARKET CRASH: TCS sheds $21 billion in market capitalisation, Infosys $7 billion and Wipro around $3 billion

DEBASIS MOHAPATRA
Bengaluru, 17 March

Top three IT services firms of the country lost a combined market capitalisation (m-cap) of around $31 billion in the past fortnight as coronavirus continued to roil the stock market.

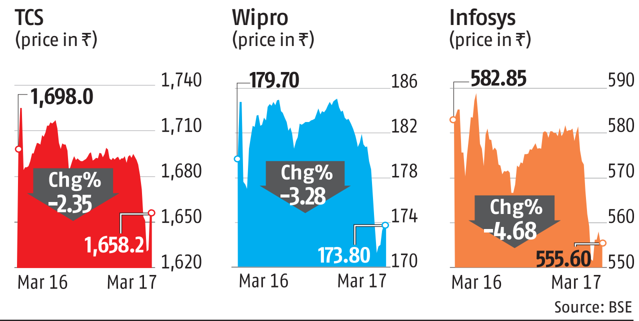


CORONAVIRUS PANDEMIC

Given the global spread of the virus, the fall in m-cap is not limited to India as all global IT services majors, including IBM, Accenture and DXC Technology have also witnessed fall in their market capitalisation.

From March 2 until Tuesday (March 17), m-cap of India's largest IT services player Tata Consultancy Services (TCS) dropped by ₹1.45 trillion (around $21 billion) as investors sold their positions in anticipation of demand slowdown. Similarly, country's second-largest IT firm Infosys saw its m-cap drop by around ₹70,000 crore (around $7 billion) in the past fortnight to touch ₹2.36 trillion. In case of Wipro, m-cap fell by around ₹26,000 crore (around $3.7 billion) to touch ₹98,902 crore on Tuesday.

HOW THEY FARED ON TUESDAY



Source: BSE

Globally, the phenomenon is not different. DXC Technology's m-cap fell to around $3.8 billion. Though the IT services company, which has been spun off from Hewlett Packard's enterprise service business, has seen fall in its m-cap last year, has accelerated in the past three months. DXC Technology, which has an annual revenue of $21 billion and is the fourth-largest IT services firm globally, saw its m-cap falling to one fourth of what it used to be in January owing to market meltdown.

"With the global spread of coronavirus, the IT industry, which is projected to grow at 5 per cent this year, can also see negative growth. Now, the industry is likely to grow in -5 to +5 range. This has definitely spooked the investors," said Pareekh Jain, an IT outsourcing advisor and founder of Pareekh Consulting.

According to global research firm Gartner, global spend on IT is likely to grow at 3.7 per cent in 2020. However, with major countries shutting down establishment to contain the virus, demand slowdown has now become a reality.

"Both oil & gas and travel & hospitality contribute 40 per cent of IT spend. As these sectors are facing major growth headwinds now, recovery in m-cap seems challenging," said Jain of Pareekh Consulting.

In a note, global consulting firm Everest Group said the situation was likely to continue until June 2020. "We believe this situation is going to disrupt one quarter of demand-related revenue growth (quarter ending June 2020) with some tail beyond," said Peter Bendor-Samuel, founder and chief executive officer of outsourcing advisory firm Everest Group. With such demand slowdown, IT firms across the board will face severe pricing pressure in the current year, even if the outbreak was contained, he added.

IT firms have been witnessing delay in wining large deals. "If both the demand and supply side situations improve in the coming quarters, m-cap will rebound. All depends on the containment of the virus," Jain added.

Consumer durable firms stare at uncertain future

ARNAB DUTTA
New Delhi, 17 March

If 2019 had been the year of hope for makers of consumer electronics and appliances in the country, the current year has so far turned the tide. From rising taxation to disruption in supply and demand, several factors have affected fortunes.

With the coronavirus (COVID-19) pandemic now spreading its tentacles across the country, manufacturers are staring at an uncertain future.

As people stay away from public places, demand for large appliances like air conditioners (ACs) and refrigerators are set to take a hit in the next few weeks.

Traditionally, sale of ACs and refrigerators begin by February, with the onset of summer in Kerala, followed by Tamil Nadu.

But a lockdown in the badly-hit southern state has severely impacted sales this year.

While over half the AC sales take place between mid-February and July, the late summer has further muted offtake.

Moreover, with all major metros reeling from fear of an outbreak, sales is yet to pick up in top markets like Delhi, Mumbai and Kolkata.

Kanwaljeet Jawa, managing director (MD) of Daikin India, said, while the firm is somewhat immune to supply disruption from China, as it has its manufacturing base in Indonesia. The impact of COVID-19 there could be felt in the near term.

"The crisis will impact overall business environment in the coming months," he said.

B Thiagarajan, MD at Blue Star, said it is still uncertain how much the impact will be on the AC market this year.

"However, if China had failed to contain the outbreak, then we would have run out of stock by now," he said.

"While we have begun to receive consignment from China, the lower footfall in marketplaces is surely a concern. If the trend continues beyond mid-April, then yearly sales will be impacted," said Krishan Sachdev, MD, Carrier Midea.

TRYING TIMES

- Consumer appliances and electronics market may fall well below the estimated **₹95,200-crore** mark in 2020
- In 2019, the market stood at **₹ 85,300 crore** — 12 per cent higher than in 2018
- **₹ 16,300-crore** (6.5 million units) AC market to fall below estimated **₹ 18,700 crore** (7.5 mn) in 2020
- **₹ 20,800-crore** (16 mn units) refrigerator market to fall short of **₹23,000-crore** (17.7 mn) target
- **₹24,500-crore** (17 mn units) TV market to stay well below the projected **₹ 27,200-crore** (19-mn) mark

According to Avneet Singh Marwah, chief executive of Superplastronics Pvt Ltd (SPPL) – the brand licensee for Kodak and Thomson Tvs – the ongoing crisis is leading to massive loss in revenue.

"Not only have components become expensive by 25 to 50 per cent – leading us towards a price hike – but postponement of the Indian Premier League and poor consumer sentiment will badly hit the sector," he said.

Sector experts said the latest crisis could not have come at a worse time. After struggling to grow volume uptake for two consecutive years – in 2017 and 2018 – due to higher taxation in the form of goods and services tax (GST) and rising raw material prices, key categories like AC, refrigerator, TV and washing machine grew by double digits last year.

In early 2020, a round of hikes in customs duty on components like compressors, motors and printed circuit boards aggravated the situation. Now, the coronavirus crisis is leaving manufacturers with no option but to hike prices despite fall in sales.

Marwah, for example, said that prices of TV sets larger than 32 inches are set to rise by 15 per cent by end-March. Jawa from Daikin said, the firm has already affected price hikes to the tune of 5 per cent.

Moreover, hike in GST rate on finished mobile handsets – from 12 per cent to 18 per cent – is set to impact margins of smartphone makers.

Dinesh Sharma, mobile business head, Asus India, said, "Additional cost burden owing to higher taxation, coupled with rupee depreciation and higher input costs due to the impact of COVID-19, will lead to significant escalation in prices and affect demand negatively."

Indian Cellular and Electronics Association predicted that the GST hike will not only lead to economic slowdown in the mobile handsets industry, but also job losses. These will adversely impact the retail sector and consumer confidence.

Wipro unlikely to see impact in March qtr

SAI ISHWAR
Mumbai, 17 March

Wipro is unlikely to witness any major impact of the coronavirus in its March quarter performance. According to a report by brokerage firm ICICI Securities, the company's top line growth in the Q4FY20 is expected to be within its guided range of 0-2 per cent, as its existing book of business is expected to remain unaffected.

The growth, however, is likely to taper off in the Q1 of FY21, partly as an anticipated slower spending by the clients is expected to affect the new businesses that would have added incremental revenues. "However, we expect revenue guidance for Q1FY21 to potentially be in the range of -2 per cent to 0 per cent as the impacts of Covid-19 exacerbate what is typically the seasonally slowest quarter for the company ...," the report said.

Despite posting the slowest growth among the peer group, some of Wipro's key business verticals, including manufacturing and communication have shown some promises of growth. Especially, the growth in the communication vertical is seen to be better as the drags from the domestic business have become smaller, the report said.

Manufacturing is the other vertical, which is expected to hold up better in the near term. In Q3 of FY20, the vertical witnessed a sequential revenue growth of 4.4 per cent in constant currency. However, in banking and financial services (BFS), the firm's focus to win new deals gets challenged temporarily because of travel restrictions imposed due to the outbreak. "BFS revenues, after being sluggish through first nine months of the current financial year, were in better shape finally, especially in the US, even as Europe continues to reel from pressure."

GoAir suspends international ops, offers leave without salary

ANEESH PHADNIS
New Delhi, 17 March

GoAir is implementing 30-day leave without pay for its staff and is fast-tracking the return of older planes to lessors as sharp drop in domestic demand and clampdown on international travel hits business.

The Wadia group airline announced today it is shutting all international flights till April 15. Training of new cabin crew is on hold and various other steps such as pay cuts too are being examined by GoAir management as the Covid-19 crisis forces airlines to ground planes and cuty capacity.

In a statement GoAir said it has initiated a short term and temporary rotational leave without pay program that will not only help the company counter the short term reduction in capacity, but will also ensure that a cross section of our employees stay away from the workplace to ensure business continuity.

"We have also taken many immediate measures to make our business more efficient; measures that will help us create an even stronger airline in the long run. GoAir remains on track to receive 12-15 aircraft each year through the end of 2025 in support of our planned growth," it added.

The airline did not comment on redelivery of planes to lessors.

Imported editions put carmakers' revenue in top gear

PAVAN LALL
Mumbai, 17 March

Fiat Chrysler Automobiles, known for its best-selling premium SUV — the Compass — recently managed to rev up its India revenues via its rugged jeep, the Wrangler.

The company, which had imported around two dozen special limited edition versions of the Wrangler, priced at almost ₹70 lakh, sold every single completely built unit (CBU) in a matter of just 10 days.

A company official said they've sold close to 220 Wranglers since it launched the brand in India, pushing total revenue from just one model to around ₹150 crore.

These are really small winnings compared to the real business engine, the premium Compass, a smartly designed urban SUV priced above the Hondas and the Toyotas but below the luxury German equivalents such as the BMW X3 and the Audi Q5.

The Compass sold 50,000 cars in the last three years becoming a bona fide hit.

The trend of limited edition cars has been tried in fits and starts in the past, says Hormazd Sorabjee, editor at Autocar India magazine.

FAST AND FURIOUS

- Fiat Chrysler's Wrangler sees two dozen sales in just 10 days
- Skoda Octavia vRs 245 sells 170 cars in 40 minutes
- Mercedes-Benz GLE Hip Hop edition sells a dozen units in just two weeks

He points to Maruti Suzuki, which launched a three-door variant of the Zen, decades ago. It was a limited edition and sold out very fast.

In recent times, however, the trend is picking up with new laws allowing companies to bring in small batches of imported cars homologation free, Sorabjee says. "Of course the full duty makes it very expensive but that goes hand in hand with exclusive and helps push sales faster," he adds.

The Skoda Octavia vRS 245, a special limited edition car priced at ₹36 lakh, is designed for high performance and speed. It was introduced on March 1, according to a Skoda official. "We brought in a batch of 200 cars, and sold 170 in the first 40 minutes," he said. "The rest are all sold out of as of now."

Clearly, the buyers were all die-hard fans of speedy sedans, but business-wise, it also translated to ₹72 crore in sales. Skoda isn't the only German player to have seen success with limited edition runs.

Mercedes-Benz recently sold out almost a dozen of its limited GLE Hip Hop edition, which was priced around ₹1.25 crore, in less than a month. The car's novelty: It can bounce up and down while driving because of its controllable air suspension, thus making it seem like its dancing.

It's a trend that's not going unnoticed. Sorabjee says Toyota is likely to bring in a small batch of its cult classic sports car, the Supra, at a tentative price of around ₹65 lakh. The Supra, which was first made in 1978, ran through at least four generations and was made until 2002 before restarting manufacture in 2019.

With that sort of lineage, fan following and nostalgic memory for die-hard car lovers, the carmaker can expect it to sell out as fast as any limited edition might.

Indian companies with global ops brace for supply disruptions

DEV CHATTERJEE
Mumbai, 17 March

Indian companies, which have substantial operations in Europe, are bracing for the impact of a complete lockdown in the region due to the coronavirus pandemic.

The outbreak has already disrupted supply chains as well as production and would lead to job losses, warn analysts.

The Tata group, the Aditya Birla group, the Essar group and the JSW group are among conglomerates which have production units in Europe.

These companies are under tremendous pressure because of their reliance on international supply chains and owing to the falling demand.

CORONAVIRUS PANDEMIC

Tata Steel Europe, which has substantial operations in Europe, had already announced plans to cut 1,250 jobs just before the corona pandemic hit the continent.

A company official said on Tuesday that its operations in Europe are normal and production has not been impacted.The media had reported earlier this month that an employee at its Netherlands plant tested positive for the virus.

"We will continue to carefully manage our production to ensure it is aligned with market demand. At the same time we are working with both customers and suppliers to reduce possible impacts from the Corona virus outbreak and restrictions," said a Tata Steel Europe spokesperson.

The disruption for the steel firm comes at a time when Henrik Adam, chief executive officer (CEO) of the company warned earlier this month that its financial situation is gloomy. He added that there's an urgent priority to improve the performance of business and its cash position, FT reported recently.

The Tata group-owned Jaguar Land Rover, maker of luxurious cars, has already warned of supply disruptions when the coronavirus pandemic broke out in China – its supplier of raw materials. With the virus not threatening its UK-based plants, the company will have to look for a Plan B. It has a plant in Slovakia where it makes Land Rover Discovery, a luxury sports utility vehicle (SUV). Earlier this year, the company announced that it would cut 500 jobs at its Halewood plant near Liverpool, Northern England. This will be part of the 4,500 job cuts announced last year.

"Automotive manufacturers are also highly exposed because of their reliance on international supply chains, many of which are being disrupted, as well as some direct exposure to China. We expect this to have a knock-on effect on automotive suppliers in many countries," said Benjamin Nelson, Moody's vice-president - senior credit officer.

Apart from the Tata group, Hindalco's Novelis has substantial operations in the continent with plants in Germany, Italy, Switzerland, the UK and France.

Analysts said with supply chain disruption and lockdown announced by the local governments, production of the plants will be impacted. Novelis is currently in the process of buying Aleris Corp, a US-based can maker and needs to sell its Belgium plant to get approval from the European Commission.

Ratings firm Moody's warned that credit quality around the world will continue to deteriorate, especially for companies in the most vulnerable sectors with prospectively reduced revenues, margins and disrupted supply chains.

At this time, the sectors most exposed to the shock are those that are most sensitive to consumer demand and sentiment.

These include global passenger airlines, lodging and cruise, autos, as well as those in the oil & gas sector (that has been affected by the oil price shock). Steel producers, metals and mining sectors are in moderate exposure to the corona pandemic. The JSW group operates a small steel plant in South Italy, which is not impacted due to the ongoing crisis. The Essar refinery units in the UK are running as per schedule, said a spokesperson.

(With inputs from Ishita Ayan Dutt)

MADE IN EUROPE

Tata Steel: Has steel production facilities in the Netherlands and the UK

Tata Motors: Makes luxury cars in the UK, Slovakia

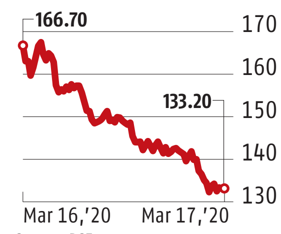
Hindalco: Subsidiary Novelis makes aluminium cans and car sheets

JSW Steel: Makes steel in south Italy with low capacity

Essar: Refinery and retail outlets in the UK

Zee Entertainment stock tumbles 20%

THE BIG FALL



Source: BSE

Shares of Zee Entertainment slipped 20 per cent in trade on Tuesday, a day after the Enforcement Directorate (ED) summoned Essel group promoter Subhash Chandra as part of its probe into YES Bank. Chandra is scheduled to meet ED officials on Wednesday, which was confirmed by Essel group on Monday.

Zee on Tuesday said it had no borrowings from YES Bank at all. "As communicated by Essel group, the credit facilities availed were for its infrastructure business and are fully secured," Zee said.

The stock of the media firm closed trade at ₹133.20 per share on the BSE, its lowest in over seven years. It has now declined for four straight trading sessions on the BSE. So far, in the calendar year 2020, Zee's stock price has fallen over 50 per cent from levels of ₹292 per share at the start of the year. This is against a 23 per cent fall in the benchmark Sensex for the same period.

VIVEAT SUSAN PINTO

Arcelor-Nippon inks $5-billion loan pact to refinance Essar buy

The Luxembourg-based parent firm of ArcelorMittal Nippon Steel India has tied up $5.146 billion (around ₹38,000 crore) with a consortium of lenders to refinance the debt taken by the Indian joint venture arm for acquiring Essar Group's steel plant at Hazira in Gujarat, ArcelorMittal said on Tuesday.

ArcelorMittal Nippon Steel India (formerly Essar Steel) is a 60:40 joint venture between L N Mittal-owned ArcelorMittal and Nippon Steel Corporation (Nippon Steel), which acquired the Hazira steel plant through an insolvency process last year.

The resolution plan, which was approved for AMNS India, was of ₹42,785 crore. The plan included a further ₹8,000 crore capital injection.

"AMNS Luxembourg Holding S A (AMNS), the parent company of the AMNS India joint venture between Nippon Steel Corporation (Nippon Steel) and ArcelorMittal, entered into a $5.146 billion 10-year term loan agreement with Japan Bank for International Cooperation, MUFG Bank, Sumitomo Mitsui Banking Corporation, Mizuho Bank Europe N V and Sumitomo Mitsui Trust Bank (London Branch)," ArcelorMittal said in a statement.

PTI

'We have a strong launch pipeline'

Q&A Sitting on a cash of ₹3,000 cr on its books, Godrej Properties is looking to buy land parcels in its key markets and launch projects. MOHIT MALHOTRA, MD, tells Raghavendra Kamath how the firm is going ahead with its plans. Edited excerpts:

What correction have you seen in land prices, compared to 2015?

In certain geographies under extreme distress, it has been strong. For example, in the NCR, we have seen 40-50 per cent correction. In Mumbai, 10-20 per cent. It is subjective in other markets, depends on the debt the land owner/JVP is under, market conditions and so on.

Your launch in 2020-21?

A very strong one. The aspiration is to show consistent growth over the coming launches. But, launches are governed by external circumstances; hence, we cannot really comment on the exact details and timelines. We want to do more than we have done this year.

There were some reports that you are raising ₹2,000 crore debt for land buys.

There is no plans to raise fresh debt in the near future. We have ₹3,000 crore cash on the balance sheet.

Will your JV and outright buys ratio change in the near future? How much it is now?

Our focus continues to be on our profit share model. For very strategic assets, we will explore outright purchase of land.

Which cities are you looking to buy land parcels?

Our four focus geographies are the NCR, Bangalore, Pune and the Mumbai Metropolitan Region.

"Latest data on trade and indicators of domestic output do not suggest any adverse impact of COVID-19 outbreak on the economy. Additionally, a positive impact on India's economy may arise from decline in global oil prices"

ANURAG THAKUR
Minister of State for Finance and Corporate Affairs

"While we pay attention to interventions to arrest the crisis from a health perspective, we must also give strong consideration towards the economic and financial impact of this epidemic"

SHASHI THAROOR
Congress leader, in letter to Prime Minister Narendra Modi

"India should be preparing itself not just for COVID-19, but for the economic devastation that is coming. People are going to go through unimaginable pain in the next six months"

RAHUL GANDHI
Congress leader

Delhi, Mumbai see dip in traffic after outbreak

Mumbai witnesses 46% drop in congestion during morning rush hour, Delhi's data shows 34% decline

SACHIN P MAMPATTA
Mumbai, 17 March

Both the financial capital Mumbai and political capital New Delhi have seen decline in traffic after the novel coronavirus (COVID-19) outbreak.

Mumbai saw an average 46 per cent decline in congestion during the morning rush hour on Tuesday. Congestion levels are usually at 60-80 per cent between 8 am to 10 am. This fell broadly to a range between 15 and 35 per cent on Tuesday. The data is based on congestion levels from traffic-tracker TomTom International. It tracks congestion as a measure of how much longer it takes compared to when the traffic is flowing freely.

CORONAVIRUS PANDEMIC

A congestion reading of 50 per cent means the trip will take 50 per cent longer than uncongested conditions. The measure has been used to track activity in China, following the outbreak, by both international media and research analysts.

New Delhi's data also showed an average 34 per cent decline in congestion during morning, falling a little less than Mumbai. Congestion levels in 2019 were in the broad range of 45-75 per cent between 8 am and 10 am. It was down to 15-35 per cent on Tuesday.

Congestion levels are still higher than it would be if everyone had stayed home. Holi, a mid-week public holiday, had shown a significantly lower congestion rate.

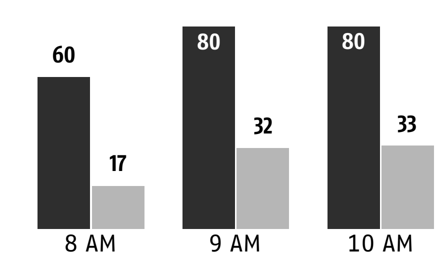
Billboards raising awareness on COVID-19, in Mumbai on Tuesday PHOTO: PTI

The relative activity of India's key cities comes even as other countries have shut down. Italy, Spain, and France are among those who have entered a lock-down to stop the spread of the virus. The World Health Organization (WHO) has called for contingency plans at workplaces if the disease spreads. "The plan should address how to keep your business running even if a significant number of employees, contractors and suppliers cannot come to your place of business," it said.

Maharashtra Chief Minister Uddhav Thackeray on Monday had asked people to restrict travelling. "I appeal to the people to avoid public places, trains and buses, if not needed," he said on his social media account.

"The coming 10-15 days are very crucial for our state. Data of every country shows that the virus is most spread in the third and fourth weeks, so I appeal to the people not to panic but follow instructions issued by the government," he added.

MUMBAI TRAFFIC HAS EASED



Source: TomTom International

Delhi chief minister Arvind Kejriwal also issued similar warnings through the social media. "We need to exercise abundant caution to contain the disease. All cinema halls, schools, and colleges in Delhi will be shut until March 31, but exams will continue as scheduled. People are advised to stay away from public gatherings," he said on March 12.

Traffic data for 2019 shows that Mumbai is the fourth most congested city in the world. It had a congestion level of 65 per cent. New Delhi was eighth. It had a congestion level of 56 per cent. A 2019 IDFC Institute working paper titled 'Assessing cities' labour market efficiencies' had noted that Mumbai's traffic congestion can have implications for economic productivity.

"The average commute on Mumbai's major routes is longer than an hour, more than double the averages of Singapore, Hong Kong and New York," it had said.

Currency traders punch in on time

ANUP ROY
Mumbai, 17 March

Most in India's financial capital are working from home to avoid novel coronavirus (COVID-19), but those in the treasury department, especially the traders, are not so fortunate, even as activities in the department have come down to a trickle.

Equities and bonds can be traded through web-based platforms (NDS-OM Web for bonds), but it is a bit complicated in case of currency trading.

In currency, the interbank rates can be availed only through a few platforms, including Murex, Calypso, and Reuters. These are installed in fixed computer terminals at the treasury floor. There are alternative applications that can be installed on mobile phones too, but they may work with a minor lag, which means interbank offers may not get truly captured. That is why it is important that traders must be present in front of the terminals for trading.

"The system slows down if you are not at the terminal. There is hardly any good alternative than coming to office for trading," said the head of treasury of a foreign bank.

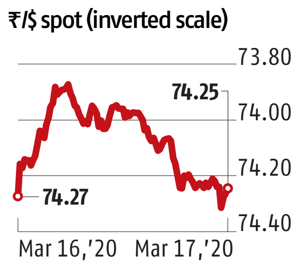
However, considering the gravity of the situation, banks and currency brokers are ready to give a leeway to that too.

For example, a private sector bank has told half of its treasury staff to work from home from Monday, said the head of treasury of the bank. But the bank has not yet decided how to ensure smooth functioning of the trading floor.

"It is not so much a problem in the other functions of the bank, but treasury is a minute by minute game," said the treasury head.

MARGINALLY DOWN

₹/$ spot (inverted scale)



Still, fearing the worse, traders are being given new laptops with the trading platforms installed to trade from home. A few skeletal staff would always be present as part of the business continuity plan.

"We are being given laptops, but that is the last option. As far as possible we need to come to the office, and we have been told trades will be bare minimum," said a currency trader with a bank.

In a bank treasury, there are two main activities — the front desk consists mainly of traders, and the backend is where the reconciliation and settlement operations take place. Surprising as it may sound, it is the backend that is more needed to be in office to meet with compliance. It is a process that has to be done at the site, using the bank's systems. But here, too, banks are asking people not directly involved in settlement to work from home.

However, it is a different case with currency consultants and corporate treasury altogether.

"Consultants are mostly working from home, and corporate clients are placing their orders with banks over phone or even placing orders in the market through from web-based platforms," said Ritesh Bhansali, vice-president at Mecklai Financial.

"Hedging activities have come to an almost standstill and corporate clients are only placing orders that would ensure just the daily business," Bhansali said.

Given the currency's volatility, exporters have stopped hedging altogether, but importers are also not willing to hedge when the rupee is at a near record low level. The expectation is that the rupee will strengthen once the COVID-19 scare comes to an end.

The daily trading volume in rupee in the onshore spot market is about $30 billion. Currency dealers estimate the volume has crashed to less than a third due to the virus scare. The thin volume is also creating volatility as any lumped up demand for dollars, or relatively low dollar sales by the RBI, is changing the course of the exchange rates.

SEVERE SLOWDOWN

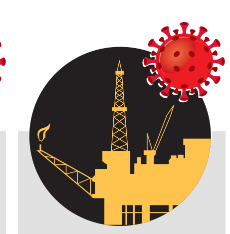
The global spread of novel coronavirus (COVID-19) will slow economic growth significantly, amplifying effect on several sectors. On March 6, Moody's Investor Services revised downward gross domestic product (GDP) growth forecasts for G-20 economies to 1 per cent in 2020, from 1.7 per cent in 2019, and for the emerging G-20 to 3.8 per cent in 2020, from 4.2 per cent in 2019, including a substantive slowdown in China. The ability of some companies to withstand the effects of the virus will depend on its duration. There is a higher than usual degree of uncertainty around the forecasts, admits Moody's Investor Services, since events are unfolding very rapidly on a daily basis.

COMPILED BY JYOTI MUKUL

RISKS ASIA-PACIFIC FACES

Significant economic fallout from more rapid and wider spread of COVID-19 cases

Dampening domestic demand in affected countries exacerbates disruptions to supply chains and cross-border trade; longer the disruptions, greater the risk of global recession

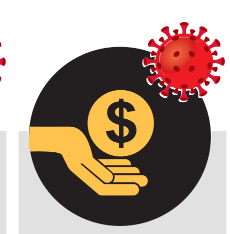


Oil price shock adds to growth and fiscal pressures for exposed sovereigns

A period of lower oil prices will further weigh on the economic and fiscal fundamentals of oil exporters, while mitigating the trade shock for importers

Policy buffers are being tested

Many governments and central banks have announced countervailing measures. But, the effectiveness of policy easing will be blunted by measures to contain the outbreak, and policy space is constrained for some sovereigns



Global financial volatility heightens vulnerability risks for APAC

Tighter funding conditions and exchange rate depreciation could stress sovereigns with high foreign currency exposure, heavy reliance on external market funding or low foreign currency reserve coverage

Source: Moody's Investors Services

"OUR BASELINE SCENARIO ASSUMES DECLINING CONSUMPTION LEVELS AND CONTINUED DISRUPTIONS IN PRODUCTION AND SUPPLY CHAINS IN THE FIRST HALF OF 2020, FOLLOWED BY A RECOVERY IN THE SECOND HALF OF THE YEAR. THE LONGER THE DISRUPTIONS LAST, THE GREATER THE RISK OF A GLOBAL RECESSION"

CHRISTIAN DE GUZMAN, Senior vice-president, Moody's

IBA to seek relief for financial institutions

SOMESH JHA
New Delhi, 17 March

The Indian Banks' Association (IBA) is preparing a set of recommendations to be sent to the Reserve Bank of India (RBI) and the government, seeking a relief package for financial institutions and businesses being affected by the spread of coronavirus across the country.

Separately, the IBA will issue advisories for staff and customers of banks in a bid to minimise the impact of the virus on the financial sector. These include mandating cashiers at the branch level to wear gloves while counting cash and requesting customers to go for digital transactions.

"The IBA is closely working on a plan to meet the challenges related to coronavirus. We are going to issue advisories to bank employees and the general public and assure them that there is no need to panic," IBA Chief Executive Officer Sunil Mehta told *Business Standard*.

PHOTO: REUTERS

The IBA will suggest precautionary measures for bank staff

Mehta said the IBA is also conducting an impact-analysis of coronavirus on the financial sector and businesses. The association had held an emergency meeting with the chief executives of banks on Monday and discussed their grievances on this matter.

It is learnt that banks are keen on making representation for relief regarding non-performing asset classification in the small and medium enterprises sector. "The government and the RBI is taking all possible measures to contain the coronavirus. But there will undoubtedly be some impact on the economy. The transportation, hospitality and business of aggregators will see the impact for some time," Syndicate Bank Managing Director and Chief Executive Officer Mrutyunjay Mahapatra said. He added banks were closely examining whether or not there be a delay in the working capital cycle or some restructuring of some loan accounts.

The first visible impact of COVID 19 on bank employees came earlier this month when a currency chest of SBI in Kerala had to be shut after it came to light that a coronavirus-infected person made a visit to open a non-resident Indian account and deposit cash. The employees of the currency chest are under quarantine till March 31 after the SBI wrote to the RBI on March 11 asking for the branch to be temporarily shut.

Now, the IBA has told banks to prepare a "business continuity plan" so that financial services are not impacted "even during the worst times", Mehta added.

One of the possibilities that banks would explore is to split duties and responsibilities, apart from working in different shifts and geographies. For instance, some employees may be asked to work starting from 8 am, and others starting from 10 am.

The IBA will also suggest precautionary measures for bank staff. For instance, cashiers at the branch level would be asked to wear gloves while counting cash. The employees will be told to wash hands with soap regularly as they deal with the public throughout the day.

While one advisory of the IBA will be on the contingency plans for banks, the other one will be for the general public. The IBA will encourage citizens to go for digital transactions so that there is less crowding at the branches.

The IBA has asked banks to collect data on the impact of coronavirus on various sectors of the economy.

India could be next virus hotspot with 'avalanche' of cases

BLOOMBERG
New Delhi, 17 March

India could become the next global hotspot for virus cases, with experts warning containment measures that proved successful elsewhere in Asia may not work in the world's second-most populous country.

India, which has so far reported 137 infections and three deaths, is trying to contain the virus by closing its borders, testing incoming travelers and contact tracing from those who tested positive. But some experts in the nation of 1.3 billion people say that won't be enough to contain the spread. Other measures like widespread testing and social distancing may be infeasible in cities with a high population density and rickety health infrastructure.

While growth in total numbers has been slow until now, "the number will be 10 times higher" by April 15, said Dr T Jacob John, the former head of the Indian Council for Medical Research's Centre for Advanced Research in Virology, a government-funded institution. "They are not understanding that this is an avalanche," said John, who was chairman of the Indian Government Expert Advisory Group on Polio Eradication and chief of the National HIV/AIDS Reference Centre at the Christian Medical College in Vellore. "As every week passes, the avalanche is growing bigger and bigger."

Financial capital

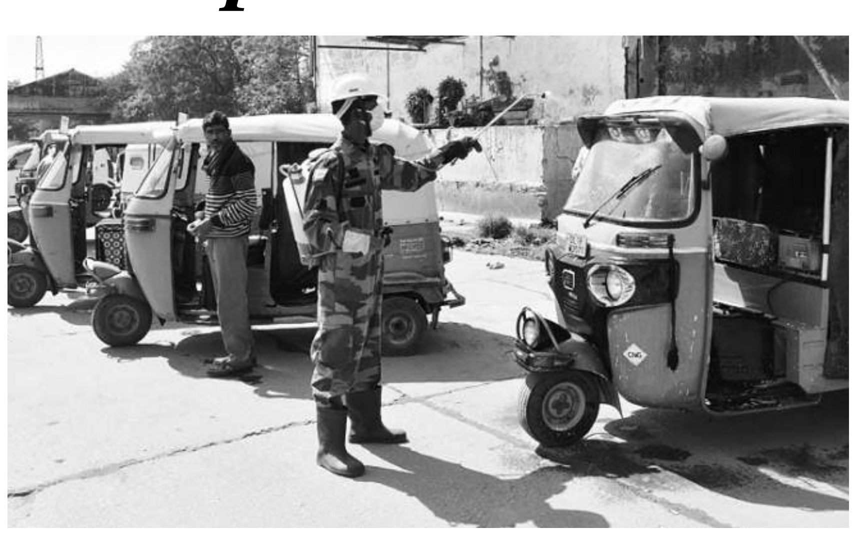
India has been relatively unscathed from the virus compared with other countries in Asia. Countries from Italy to Malaysia have started locking down parts of the country, following China's move to reduce the pace of new infections by isolating Hubei province, where the outbreak first took hold.

Prime Minister Narendra Modi has said India's doing it's best to fight the spread of the virus. A key concern in India is Maharashtra, the state with the highest urbanisation in India, which has reported the biggest spread of the infection with 40 cases. Its government has called for a virtual lockdown of cities on March 16 — shuttering public places and putting off university exams and asking offices and firms to allow employees to make sure at least half their staff work from home at any given time.

"Maharashtra is in the second stage at the moment," Rajesh Tope, state's health minister told reporters in Mumbai. "But if we don't curtail or stop the infection from spreading this contagious disease we could slip to stage three and that would mean a spike in the number of infections," he said. "We have to contain this disease under any circumstances."

Population density

In Pune, a trade association has decided to shut all shops and markets for three days to try and stem infections. Apart from its sheer size, India's other challenge is the density of its population: 420 people live on each square kilometer (about 0.4 of a square mile), compared with 148 per square kilometer in China. Its cities are crammed with slums and low-income housing clusters where living conditions are tight.



A health official disinfects an autorickshaw in the wake of the coronavirus pandemic, in New Delhi, on Tuesday PHOTO: DALIP KUMAR

While South Korea was able to test even asymptomatic people, India's population "makes it extremely difficult," said Dr K Srinath Reddy, adjunct professor of epidemiology at the T H Chan School of Public Health at Harvard University and president of the Public Health Foundation of India. "Social distancing is something often talked about but only works well for the urban middle class," he said. "It doesn't work well for the urban poor or the rural population where it's tough both in terms of compactly packed houses, but also because many have to go to work in areas that are not necessarily suitable for social distancing."

Surging infections

The pandemic, which has infected 174,000 worldwide, with deaths topping 7,000, has a pattern of surging after an initial slower phase. This was seen in nations such as South Korea and Italy — the worst-affected countries outside of mainland China, where the highly contagious pathogen first emerged in December.

South Korea, which had a 2,000 per cent jump in cases in a week last month, slowed the outbreak and deaths by testing hundreds of thousands of people in clinics and drive-through stations. More than 5,200 potential cases have been identified through contact-tracing and put under surveillance, the health ministry said late Monday. Last week India suspended most visas in a bid to halt the spread of the coronavirus. It decided on Friday to limit international traffic through the land route to 19 of 37 border check posts.

India's response to the virus spread is led in large part by the limitations of its public health system, Reddy said. India's health-care spending is among the lowest in the world — just 3.7 per cent of gross domestic product. That's left it with a patchwork of overcrowded public hospitals, and private ones that are unaffordable for many people.

"I have reservations about our capacities to deal with this," said Reddy. "Right now our responses are strategic to the extent that our resources permit."

NPPA seeks pricing data from mask, glove makers

Given the supply disruption in essential items such as masks, gloves and sanitisers in the time of a viral outbreak, the National Pharmaceutical Pricing Authority (NPPA) has sought data from companies on production and distribution.

In a March 13 order, the NPPA has asked all essential items makers to submit data (in requisite format) to government by March 18. Failing to do so would invite penal action. The data, said sources, is mainly pertaining to production volumes, capacity, exports, domestic sales and distribution along with prices.

Sanitisers are a ₹300-350-crore industry in India and in the past month the demand has jumped ten times, claimed industry sources. Manufacturers are registered with state FDAs and there is no centralised database for the same.

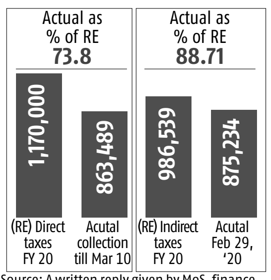
SOHINI DAS

IN BRIEF

Govt needs ₹3 trn in 20 days to meet direct tax target

The Centre needs to collect ₹3.06 trillion from direct taxes in 20 days, and ₹1.11 trillion from indirect taxes in a month to meet the Revised Estimates (RE) for 2019-20, minister of state for finance Anurag Singh Thakur said in the Rajya Sabha in a written reply. The data showed that the government has collected 73.8 per cent of direct tax target as given in RE by March 10 and 88.71 per cent of indirect tax mop-up projection by February 29. Thakur said as far as direct tax was concerned, the final instalment of advance tax was due in March. "It is premature to comment on tax collection growth," he said. **INDIVJAL DHASMANA**

THE MOP-UP
(₹ crore)



Source: A written reply given by MoS, finance Anurag Thakur in the Rajya Sabha

SC allows permanent commission for women in Navy

Maintaining that women and men officers should be treated equally, the Supreme Court on Tuesday cleared permanent commission for women in the Navy and asked the Centre to complete the modalities in three months. The Bench also rejected the Centre's stand that sea sailing duties cannot be granted to SSC (Short Service Commission) women officers in the Navy because its Russian vessels do not have washrooms for them. **PTI**

SC seeks MP govt response on BJP's plea for floor test

The Supreme Court has asked the Kamal Nath government in Madhya Pradesh to give its response by Wednesday to former chief minister Shivraj Singh Chouhan's plea seeking a direction for an immediate floor test in the House. Meanwhile, the Congress has moved the SC seeking access to communicate with its rebel MLAs allegedly kept in Bengaluru. **BS REPORTER**

Accepted RS berth for greater cohesion: Former CJI Gogoi

Former Chief Justice of India Ranjan Gogoi on Tuesday defended his decision to accept nomination to the Rajya Sabha, saying he wants the legislature and judiciary to work together for nation-building. Gogoi, however, said he would speak in detail about the issue, over which he and the Modi government have come under attack, after taking oath as a member of the Rajya Sabha. **PTI**

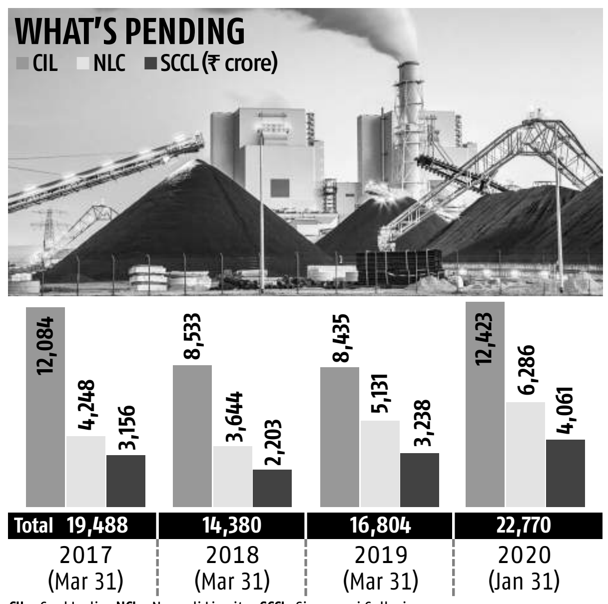
CAA does not violate fundamental rights, Centre tells SC

The Centre on Tuesday told the Supreme Court that the Citizenship (Amendment) Act does not violate any fundamental right. The Centre, in its affidavit in response to the pleas challenging CAA's constitutional validity, termed the legislation legal. It said citizenship to the persecuted minorities of three countries would be granted in a manner as specified under the law governing grant of citizenship. **PTI**

Power gencos, states owe ₹22,770 crore to coal firms

Dues to coal mining entities have increased 16% over the past four years

SHREYA JAI
New Delhi, 17 March



CIL= Coal India; NCL= Neyveli Lignite; SCCL: Singareni Collaries
Source: Report of standing committee on coal & steel, 2020

Power generating companies, especially state-owned units, owe ₹22,770 crore to Coal India (CIL), Singareni Collieries (SSCL) and NLC India. Of this, CIL owed ₹12,423 crore as on January. SSCL owed ₹6,286 crore.

These dues of generating companies (gencos) to coal mining entities rose 16 per cent over the past four years. Among the states, Tamil Nadu and Telangana have the highest share of dues to NLC and SCCL, respectively.

CIL had told Parliament's standing committee on coal and steel that it keeps supply on to defaulters in the national interest. "We supply under a fuel supply agreement (FSA) which provides for payment of coal through advances. However, most of the times, keeping in mind national interest and maintaining uninterrupted power generation, even though state electricity boards/state gencos/central public sector units do not make timely payment, CIL had to continue coal supply. This further increases the outstanding dues," it had said.

The majority of its dues are from state and central government-owned generation companies, under FSAs. CIL said the agreement provides for levy of interest on delayed payment, which it does claim.

State power utilities are also struggling to pay central and private power generating companies. The dues of state-owned power distribution companies (discoms) towards central and private generation companies was ₹85,407 crore at end-December 2019. an increase of 56 per cent from January 2019. States also owe another ₹9,000 crore to renewable power producers.

The state discoms' cumulative loss was ₹18,316 crore as on December.

Commenting on the rising dues, the standing committee recommended coal companies take strict steps for recovering these. "The committee desire the matter be taken up more vigorously and, if warranted, imposition of a late payment surcharge be considered," it had said.

Bill for direct overseas listing of firms tabled

RUCHIKA CHITRAVANSHI & SANJEEB MUKHERJEE
New Delhi, 17 March

The Centre on Tuesday introduced the Companies Amendment Bill 2020 in the Lok Sabha to decriminalise procedural and technical lapses and to allow direct listing of securities by Indian firms in permissible foreign jurisdictions.

The Bill has also laid down rules for incorporation, registration, amalgamation, and functioning of producer companies, apart from paving the way for conversion of inter-state cooperatives into producer companies.

The proposed amendment is in line with the government's aim to streamline the functioning of farmer-producer organisations in order to achieve the goal of promoting 10,000 new FPO in the next five years. A host of activities have been included into the ambit of producer companies that include financing the need of primary producers largely farmers.

The Bill has proposed to exclude certain class of companies from the definition of "listed company", mainly for listing of debt securities in consultation with the Securities and Exchange Board of India (Sebi).

It has also proposed allowing payment of adequate remuneration to non-executive directors in case of inadequacy of profits, by aligning the same with the provisions for remuneration to executive directors in such cases. The Bill also provides a window within which companies will not have to pay any penalties for delay in filing annual returns and financial statements in certain cases. To bring greater accountability and transparency, specific classes of unlisted companies have been proposed to prepare and file their periodical financial results.

The Bill has extended exemptions from filing certain resolutions to a particular class of non-banking financial companies and housing finance companies to reduce compliance burden for routine lending activities.

Vivad Se Vishwas Bill enacted

Vivad Se Vishwas Bill for direct tax dispute resolution was enacted on Tuesday. However, rules are yet to come, required for assessees to take part in the scheme. As such, around 13-14 days would be left for the assesssees to avail the full benefit of the scheme.

BS REPORTER

YES BANK AT-1 BONDS

Bondholders want equal equity gains

JASH KRIPLANI
Mumbai, 17 March

PHOTO: DALIP KUMAR

HANGING IN BALANCE

₹8,415-cr exposure of bondholders through Axis Trustee

70-80% markdown for bondholders from equity conversion

67.7% holding of banks that have infused fresh equity capital

- Individual investor with **₹10-cr** exposure also moved court

The additional tier-1 (AT-1) bondholders of YES Bank on Tuesday presented initial arguments before the Bombay High Court (HC), questioning why they were not being allowed to benefit from equity upside after the bank's reconstruction scheme. Existing promoters who held 8 per cent stake will be benefiting from YES Bank's reconstitution.

Along with the institutional bondholders, an individual investor — a cancer survivor — also moved the court to seek relief on ₹10 crore exposure to AT-1 bonds. "Why should promoters benefit from equity investment as the bank becomes viable and we are at zero," said senior advocate Janak Dwarkadas, who argued on behalf of Axis Trustee, the debenture trustee for majority of bondholders.

He said the bondholders were also willing to adhere to lock-in requirement of 36 months stipulated for equity investors. He also cited the bank's shares had already made over 200 per cent gains following the notification of moratorium and draft reconstruction scheme proposed by the Reserve Bank of India (RBI).

Bondholders re-iterated that they were willing to take 70-80 per cent markdown on their outstanding bond exposure of ₹8,415 crore, and sought these bonds to be converted into equity. One of the arguments was while the RBI scheme was introduced in larger interest of public, it was treating one segment unfairly. "Investors have put their savings in mutual funds, which are exposed to these bonds. There are also provident and pension funds that have exposures," Dwarkadas said. "These bonds were sold by YES Bank employees to my client," said one of the advocates, representing the individual investor with exposure to bank's AT-1 bonds.

Further, Dwarkadas pointed out it was not YES Bank, but the RBI, which had the discretionary powers to either write down the AT-1 bonds or allow equity conversion. However, it opted for the latter. He also punched holes on the YES Bank administrator's decision to formalise the write-down after the commencement of the scheme, i.e. on March 13.

He cited from the government's gazette notification on the schemes that stated unless otherwise expressly provided, "all contracts, deeds, bonds ... shall be effective to the extent and in the same manner, as was applicable before such commencement".

Purpose lights up the Schneider pitch

The 184-year-old global electrical energy company rewires the brand around environmental concerns, looks for a direct connection with consumers

AMRITHA PILLAY
MUMBAI, 17 MARCH

How does a brand that has been invisible to its consumers for the most part of its existence, find its way into the light? By stringing together a narrative that inveigles the brand into the consumer's daily routines and, increasingly, by finding a purpose that is larger than its immediate remit.

At Schneider Electric, the marketing team has just launched a campaign that elaborates on the brand's multiple consumer touch points and looks to build a narrative around climate change. It is also working with cricketer Sachin Tendulkar on a rural electrification project in the country, thereby developing social capital for a brand that has spent most of its years as an unseen presence in consumers' lives. All these steps are aimed at creating a larger purpose around the brand.

Bidisha Nagaraj, vice president-Marketing, Schneider Electric said, "We look at the marketing function holistically and have been strategically using digital marketing tools with the right use of data analytics and consumer insights." She added that they are continually measuring the pain points that the brand has and, "we map the entire customer journey and the transformation that we have introduced through a dashboard called Brand to Order (BTO). The brand salience, digital engagement and influence on revenues are the three measurement pillars of BTO."

For Nagaraj and her team, it is a challenge creating a brand narrative that resonates with all consumers. "Our target audience ranges from electricians to CEOs to whom we market our entire range of IOT solutions. Homemakers too are an important TG (switches and smart home solutions)."

Climate concerns, being a universal issue, help find common ground among its disparate and diverse set of consumers. Hence the company has pitched its tent firmly in the space of the global environmental crisis. Nagaraj said, "It involves communication at three different levels, awareness, product and solutions and making sure that people in our eco system are aligned to the same goal." Some months ago, the company released a video on the global energy crisis. "We don't make energy, we make you save it," it said; this is the core message that the brand wants to convey, according to the company.

While the intentions are appreciated, Harish Bijoor, founder of Harish Bijoor Consults said, "This comes across as forced messaging." Brand positioning is an exact science, not an "also" science and hence the messaging must be crisp and engaging. "To that extent I detect a communication flaw," he added.

Schneider, he pointed out, is attempting to do what Tata Steel did, a few years ago, with its 'We also make steel' campaign. However, the execution is weak and the brand could lose out as a result.

"Our target audience ranges from electricians to CEOs to whom we market our entire range of IoT solutions. Homemakers too are an important target groups (switches and smart home solutions)"

BIDISHA NAGARAJ
Vice President–Marketing, Schneider Electric

The company meanwhile is tapping other channels to build an effective communication flow. Nagraj added that apart from the campaigns, the company is talking to its varied set of consumers to double up as brand influencers. There is also a regular stream of success stories being presented via social media and other channels.

The company is also presenting the work it does with rural electrification. "We have electrified 750,000 households under the Rural Electrification Program (with SHIF – a partnership with Sachin Tendulkar and Schneider Electric)," she said.

Globally, the company has stated its commitment to create a brand that considers corporate social responsibility and social acceptability as a vital part of its mission. In a blog on the company's website, written by Howard Bowland, vice president of Field Services Australia, the brand's approach towards social causes is explained in detail. "These two (CSR and social acceptability) are integrated in what we call Social Licence to Operate, or to simply put it: the ongoing acceptance of a company or industry's standard business practices and operating procedures by its employees, stakeholders and the general public," he wrote.

To a large extent, the global framework is being rolled out into the Indian ecosystem. The company has been documenting its work with energy, with skilling people, with lighting up people's homes and so on to help draw up a more complete picture of itself. However the team has made sure that the brand is always focused on the customer journey and greater measurability said Nagaraj and that, she added, "has enabled our marketing team to become more accountable with higher influence on closing the sale cycle." Perhaps the brand needs to apply a similar set of metrics for its advertising, to get the tone and pitch of its communication right.

FROM PAGE 1

YES Bank...

SBI, leading the rescue package, will continue to hold about 49 per cent in the ailing lender for three years. According to the reconstruction scheme, the former is also bound by a three-year lock-in clause, when it cannot sell any YES share. "In three years, we would expect a decent investment return. It should be seen that nobody is allowed to do profiteering," said SBI Chairman Rajnish Kumar.

YES Bank's shares rallied 58 per cent on Tuesday to close at ₹58.65 on the BSE. Rajnish Kumar said, "Let us wait and see how the price turns out to be and we should not read too much into today's price."

SBI has also recommended Partha Pratim Sengupta and Swaminathan Janakiraman to the board of YES Bank. SBI can nominate two members to the new board of the private lender. YES Bank has also written off the entire outstanding additional tier-1 bonds of ₹10,800 crore and a lot of investors have sued the bank, demanding that a part of the bonds be converted into equity. "The matter is subjudice," said Prashant Kumar.

On the initial capital raising plans, the SBI chairman said enough money was available but a decision was taken that the first stage of funding would be aided by domestic banks. "Within the short time frame, a lot of international investors had shown interest (in taking equity stake) but that would have meant we keep the bank under moratorium for a longer period of time. We wanted to lift the moratorium as soon as possible and normalise the situation," he said.

"Instead of raising the entire capital in one go, it can be a two-stage process and this raising of ₹10,000 crore makes sure that the bank is meeting all the capital adequacy ratios," he added.

The current capital raising will take care of the regulatory requirements of minimum capital. Rajnish Kumar said the bank is working on a plan to raise another ₹10,000 crore in the second tranche during Q1. The administrator said: "Eighty per cent of the capital raised in the second tranche will be used for growth." On re-examination of stressed loan accounts, Prashant Kumar said there was absolutely no need for any forensic audit. The bank, he said, had already done an extensive analysis of each such loan.

YES Bank plans to bring the slippage ratio (standard advances becoming NPAs) to 5 per cent in 2020-21, from 11.98 per cent in the December quarter. "Five per cent slippage ratio is very conservative. This would mean about ₹8,500-crore slippages, but our expectation is that our recovery during the financial year will completely take care of this," Prashant Kumar said.

With the huge provisioning for bad loans, the December quarter's loss was ₹18,564 crore.

Markets...

Worries about the coronavirus's impact on economic growth and corporate earnings have gripped markets as the death toll and the number of affected people increases with each passing day and countries across the globe announce lockdown to control the damage.

The Reserve Bank of India (RBI) has announced currency swap and measures to boost liquidity. However, it has refrained from announcing a rate cut, unlike most of its global peers. Many investors were expecting the central bank to announce an emergency cut.

Financial stocks led the declines on Tuesday. Two-thirds of Sensex components ended with losses. ICICI Bank and IndusInd Bank were the worst-performing Sensex stocks falling close to 9 per cent each. Hindustan Unilever and Asian Paints gained over 3 per cent each, cushioning the market fall. Barring one, all sectoral indices of the BSE ended the session in the red. On an overall basis, 1,677 declined, and 751 stocks advanced on the BSE.

The domestic markets are currently down more than 25 per cent from their all-time highs logged in mid-January. Analysts termed Tuesday's rout as a typical bear market selling.

"Once the markets enter a 'bear phase' whenever there is a recovery, those who have suffered losses reduce their positions. While others use bounce to create fresh short positions," said Chandan Taparia, derivatives and technical analyst at Motilal Oswal. One-month FPI selling has crossed ₹54,000 crore on Tuesday.

ICMR asks pvt labs...

ICMR plans to share the SoP and the positive controls with the labs. The private labs would have to share the information real time with state health departments for tracking and also contact tracing.

Once the labs have procured probes, primers and reagents required for the test and have their test kits validated by the National Institute of Virology, Pune, the ICMR would give them a go-ahead to run the tests. Around eight test kits are currently undergoing validation. Bhargava, however, urged the private sector players to conduct the tests for free.

"ICMR also strongly appeals that private laboratories should offer COVID-19 diagnosis at no cost. They have come forward to help as a national crisis. It is an appeal to them and not a condition," Bhargava said clarifying that he's not talking on behalf of the government. He added that many people have assured that they would be able to give it for free. A Velumani, chairman of Thyrocare, believes that free testing is unlikely as the cost involved is high. He, however, said that if the government makes the reagents available to the diagnostic chains, the cost of the tests can come down for the common man.

"The raw material cost (reagents, primers and probes) is around 30 per cent of the test cost," he said. Plus, there's an additional cost of collection. "If the cost of testing is high, the number of screenings would automatically come down," he said. Thyrocare is gearing up to do the tests in a week, at least in Maharashtra. Bhargava told reporters in Delhi that India had sufficient reagents and primers, but the probes were being imported. The government has placed an order for 1 million probes and plans to seek another million from the WHO. Also, two rapid testing laboratories are being activated soon. These could test up to 1,400 samples a day. The NIV, Pune, is also working on validating antibody-based tests and the first lot would be validated by the end of this week.

Velumani said that antibody-assay tests would be much faster and can yield results in an hour, The rapid tests can be used for initial screening. "If someone is exposed to the virus, before the onset of fever or with fever, he or she will show an increased value of immunoglobulin. If this is positive, the patient needs to go to the next step."

Rapid tests have slightly higher false positivity, but can be a great tool for screening mass populations. These cost one-fifth of that of a PCR test or molecular test. It's possible that the number of COVID-19 positive patients would swell immediately after rapid tests are allowed, said people in the know.

Leading Delhi and Mumbai based diagnostic chains confirmed that talks are on with the government and that they can start doing the tests on ground, once the go ahead comes officially. Mumbai-based Metropolis Healthcare is one of them. Chairman Sushil Shah said that while pricing was not determined yet, Metropolis would do the tests for very low margins. "This is a national emergency, and we will not use this as an opportunity for profit making," he said.

BS SUDOKU # 3001

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HOW TO PLAY

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Price tags on life and limbs

Lawmakers fix compensation amounts but do not revise them for decades

OUT OF COURT

M J ANTONY

There has been a massacre of some 1,500 obsolete colonial laws in Parliament in the past three years. But there are still some relics. Section 59 of the Transfer of Property Act, for instance, says that "where the principal money secured is ₹100 or upwards, a mortgage can be effected only by a registered instrument signed by the mortgagor and attested by at least two witnesses". Where the amount is less than ₹100, a mortgage may be effected either by registration or by the delivery of the property. Section 510 in the Indian Penal Code proclaims that a drunken person misbehaving in public may be punished with a fine of ₹10.

Fixing an amount by statute creates a hindrance to equity and justice in compensation claims because the value of money has nowhere to go but down — only the rate of fall changes. Lawmakers are not keen to read every section of legislation and update the amounts mentioned in them to a realistic level. The drunken man might be happy to pay ₹10 fixed in 1860 and go home on all fours, so to say, but this legislative lapse has serious consequences for victims of accidents and insurance companies.

This was demonstrated last month in a case decided by the Supreme Court dealing with the Employees Compensation Act. The court was dealing with a provision which stipulated the rate at which compensation for death arising out of employment is to be calculated. A 26-year-old man died in an accident when he was on duty. His salary was ₹32,000 a month. But the rule prevailing at the time of the death in 2008 had put a ceiling on the salary. It was "deemed", by a legal fiction, that he was receiving Rs 4,000 only. So the commissioner under the Act awarded ₹4.33 lakh to the four heirs. When the appeal was filed, the High Court doubled the amount as the statutory presumption of monthly wages had by then been raised to ₹8,000. The appeal was taken to the Supreme Court. By the time its judgment was delivered, the ceiling was again raised to ₹15,000. But the court ruled that the "deemed wage" at the time of the fatal accident would prevail and neither the subsequent raises nor the actual wage. Thus this family had to settle for one-third of their due. How much the family actually received in hand after the "contingency fee" demanded by their lawyer is anyone's guess.

Arbitrary fixing of compensation can stump sensitive judges hearing petitions in road accident cases under the Motor Vehicles Act. This law fixes the amount of damages in hit and run cases; it even has a table in the Second Schedule valuing lost lives and limbs, a feat of legislation. The chart was introduced in 1994 to give quick relief without going into evidence and cause of accidents. The ready reckoner, however, has not been revised since then. In several judgments, the Supreme Court had criticised it as suffering from "severe defects" and an example of bad arithmetic. Computing compensation according to the table will lead to ridiculously low compensation. The heirs of a 15-year-old boy, for instance, will get ₹40,000. It would not meet even the legal expenses. Judges with large hearts would not be able to help the dependants.

The Railway Accident and Untoward Incidents (Compensation) Rules raised the amount for compensation in 2016 from ₹4 lakh to ₹8 lakh in cases of death or loss of limb of a passenger. There is a table in this law also. Compensation for fracture of hip joint is ₹1.6 lakh, fracture of pelvis ₹80,000, loss of one eye ₹2.40 lakh. These figures are bound to remain so for many years to come, while the value of the rupee might tumble with time. But the judges have to follow what the lawmakers have set in the chart.

The law of torts, from which these laws arose, had originally left the amount of compensation to the good sense of the judges. But when the common law principles were codified, the victims began to suffer by these rigid rules. The law aims to put the victims as much as possible in the original condition. It is mostly a vain effort, but the lawmakers can at least refrain from putting price tags on life and limbs, like hitmen of the underworld.

CHINESE WHISPERS

Show must go on

The Parliament's Central Hall, where former MPs and journalists hobnob with current members and ministers, was deserted on Tuesday because of the coronavirus scare. The MPs, cutting across political lines, hoped the government would think about proroguing the session once the Kamal Nath government in Madhya Pradesh had its floor test. Questions were also asked about the absence of Minister of State for Parliamentary Affairs V Muraleedharan, who is also the Junior Minister in the external affairs ministry. It was conveyed that while he was tested negative for the coronavirus, he is in self-quarantine at his residence. Meanwhile, the parliamentary committee on transport, aviation and tourism, at the behest of Trinamool Congress' Derek O'Brien, has asked the aviation and tourism ministries to appear before it on Wednesday to brief the MPs about how they are faring in the face of the coronavirus. Calling for an early end to the session, O'Brien said that the average age of the Rajya Sabha is 64 years, which puts most MPs in the high-risk category.

Akhilesh's inspiration

Samajwadi Party chief and Lok Sabha MP Akhilesh Yadav visited a Hanuman temple in Delhi on Tuesday, a day considered auspicious by devotees. In the run up to the Delhi Assembly polls in February, not just Aam Aadmi Party (AAP) chief Arvind Kejriwal, but several of his party colleagues had visited Hanuman temples, and had replied to the Bharatiya Janata Party (BJP)'s cries of "*Jai Shri Ram*" with "*Jai Bajrang Bali*". Later, AAP legislator Saurabh Bharadwaj had said invoking Lord Hanuman had helped his party counter the aggressive Hindutva of the BJP. AAP had won the polls after asking people to vote for performance. In recent months, Yadav has adopted a similar strategy. He has stopped talking of issues considered "divisive" and spoken more about the development work his government carried out between 2012 and 2017. Assembly polls in Uttar Pradesh are due in 2022.

Food for the isolated

Breakfast at 7.30 am with *dosa-sambar*, two eggs, two oranges, tea, a litre of mineral water; fruit juice at 10.30 am; lunch comprises two chapatis, rice, fish fry, *thoran* (a dry side dish), curry, curd, a litre of mineral water; tea, biscuits/banana chips/*vada* at 3.30 pm; *appam* and vegetable stew, two bananas and a litre of mineral water at dinner time. No, this is not the menu at a tourist resort in Kerala, but the food that is being served to local residents in the isolation ward of the Government Medical College, Ernakulam, in Kalamassery, where coronavirus-infected people have been quarantined. Foreign tourists in the isolation ward are served soup, fruits and two boiled eggs for breakfast; a helping of pineapple juice at 11 am; lunch comprises cheese sandwich and fruits and the dinner menu is toasted bread, scrambled eggs and fruits. The kids' meal includes milk as well. Also, breakfast is served with a newspaper to quench their thirst for news and analysis.

The curious case of an upset FM & an apologetic banker

Who recorded the private meeting of bankers with the finance minister and made it public? For what?

BANKERS' TRUST

TAMAL BANDYOPADHYAY

You must have come across the audio and video clips of Finance Minister Nirmala Sitharaman giving vent to her frustrations at Rajnish Kumar, the boss of the nation's largest lender, the State Bank of India (SBI), and calling the "bank for every Indian" "heartless" and "inefficient".

She purportedly made these comments at a closed-door meeting at the Khanapara exhibition ground in Guwahati on February 27. Besides public sector bankers, finance minister of Assam Himanta Biswa Sarma and the bureaucrats of the department of financial services were present in the camp organised by the SBI for reviewing the progress of financial inclusion in the northeastern states.

If you watch the video (which has been put up on YouTube) or listen to the audio clip, you will find the finance minister was upset over the fact that some 250,000 bank accounts of tea garden workers in Assam have not been operating, leading to difficulties in the implementation of the government's direct benefit transfer scheme for these workers.

After this meeting, the finance minister at a press conference announced that the issues faced by the tea garden workers on account of ineffective accounts were being sorted out.

Going by media reports, some 800,000 accounts had been opened for tea garden workers but 30 per cent of these were not operational because of know your customer or KYC compliance issues.

The All India Bank Officers' Confederation issued a statement, expressing its "deep anguish" and resentment at the treatment of the SBI chairman in an "unfair manner" but later withdrew it, adding to the confusion. The reason for the withdrawal? The lack of clarity about the sequence of the events.

Assam's finance minister, through a series of tweets, has said the tea garden workers had been deprived of banking services for the last seven decades due to procedural lapses and blamed local banking officials for lack of alertness. Marginalised workers, according to him, have not been able to access the ₹5,000 transferred to their bank accounts by the state government.

The crux of the matter is that these tea garden workers did not meet a bank's KYC norms. What are these norms? Who is responsible for this mess? The SBI heads the so-called state-level bankers' committee (SLBC) in Assam, a coordinating body for all banking services in a state. By being the largest lender with a little over 20 per cent market share of the banking assets in India, SBI heads many of the SLBCs in states. Even where another bank is heading the SLBC, the SBI plays a key role. Jammu and Kashmir and Tripura are examples.

The finance minister was upset over the fact that some 250,000 bank accounts of tea garden workers in Assam were not in operation

Before we seek the answers, let's take a close look at the banking landscape in the northeast and how it is evolving. In March 2015, the northeastern states had 3,345 bank branches with public sector banks (PSBs), including SBI, owning 2,239 branches. By December 2019, the branch network had grown to 4,544, and that of PSBs to 2,346, led by the SBI (802).

The number of ATMs is 5,727 now. The PSBs have 4,729, of which SBI alone has 3,296.

The number of deposit accounts, which were 38.4 million (PSBs 26.6 million) in March 2015 rose to 56.4 million in March 2019 (the latest data I could lay my hands on), with PSBs having 38.3 million deposit accounts. The money kept with such accounts rose from ₹1.55 trillion to ₹2.43 trillion during this period.

The number of credit accounts more than doubled from 33 million in March 2015 to 64 million in March 2019. The outstanding credit portfolio of the banks in this region almost doubled from ₹0.54 trillion to ₹1.02 trillion during this period.

In March 2019, the PSBs' share in the deposit portfolio was 76.2 per cent (SBI's 43.9 per cent). In the credit portfolio, the PSBs' share was 67.1 per cent (SBI's was 37.3 per cent). The so-called credit-deposit ratio (or how much credit is given for every ₹100 deposits collected) has risen from 34.5 per cent in March 2015 to 41.9 per cent in March 2019.

When it comes to the Jan Dhan accounts, the main driver of financial inclusion in recent times, as on March 4, 2020, there have been 382.3 million bank accounts, keeping ₹1.17 trillion. Comparable figures for the northeast are 19.65 million accounts and ₹5,130 crore deposits.

The RBI's master direction on know your customer (dated February 25, 2016) and last updated on January 9, 2020, outlines the requirements for KYC. The norms are based on the Prevention of Money-Laundering (Maintenance of Records) Rules 2005 of the central government.

Shorn of legalese, Rule 9(5) says small accounts shall remain initially operational for 12 months and, after that, they can be operational for another 12 months if the holder of such an account provides evidence before the banking company of having applied for any of the officially valid documents or OVD.

Under Rule 2(d), the list of OVD includes passport, driving licence, Aadhaar card, voter identity card issued by the central government, a job card issued by the national rural employment guarantee scheme and signed by a state government official, and a letter issued by the National Population Registrar with all the details.

Instead of blaming the banks, the Assam state administration could have ensured the OVDs for the tea garden workers in the past two years. A section of the tea garden workers in Upper Assam have already been under stress, grappling with loads of small loans that they are not able to pay back on time. It has been a double whammy for them. The northeast is not an easy region for bankers to operate. There have been cases of extortion, kidnapping and laundering of money, using ghost accounts. Will any bank be eager to take on responsibility of regularising such accounts without OVDs?

What is the way forward? The money laundering rules have a provision for a "review" of such accounts. The central government can offer relaxations and under Rule 11, its decision is final. Banks would have no excuse after that is done.

One issue still foxes me: Who recorded the private meeting of bankers with the FM and made it public? The SBI has filed an FIR with the Guwahati police for unauthorised recording. Let's wait...

The writer, a consulting editor with Business Standard, is an author and senior adviser to Jana Small Finance Bank Ltd. Twitter: TamalBandyo

INSIGHT

Capital market disruption

Concluding the series, the author says it is time the MF industry participated in the possibilities offered by the rapid advancement in technology

RAJIV SHASTRI

Following up on my earlier article on the coming disruption in the capital markets, here I will discuss a similar scenario for the mutual fund (MF) industry with or without changes in the capital markets. In many ways, the MF industry has responded to technological changes even less than the capital markets. In the capital markets, trading is now almost fully electronic, except for some pockets of resistance around the world. In general, the equity and debt markets have undergone deep operational changes as a result of technological changes.

On the other hand, the MF industry has remained operationally unchanged despite changes in the technological landscape. And while the process of investing in MFs has changed somewhat over the years, this has been primarily because an additional mode of investment and holding has become available; investing in MFs through stock exchanges and holding MF units in demat form.

The manner in which investors invest with MFs outside these additions has remained largely unchanged from the 1930s, as have most other MF operational processes. As with the capital markets, much of the institutional framework that supports these processes is now redundant.

In the traditional non-exchange format, when investors invest in a mutual fund, they typically submit their application or instructions to the registrar and transfer Agent (RTA), either online or offline. Even if an application is submitted directly to the asset management company (AMC), it is sent to the RTA for processing. The RTA then captures all pertinent application data related. Funds flow directly to the bank account designated by the AMC. In the case of offline applications, the RTA arranges to deposit the payment instrument in the pertinent bank account. With all banks offering cash management system facilities to MFs, these deposits can happen anywhere in the country.

It undertakes this activity through all working days and all applications received, subject to the acceptance criteria, are processed into units at the NAV declared at the end of the day. The units so created are then deposited to the virtual account maintained for each investor by each AMC.

The process for redemption is similar, except for the absence of an incoming payment or payment instrument. Applications are still collected through the day and, subject to timing and holding period criteria, where applicable, processed into money at a price related to the NAV declared at the end of the day. Depending on the type of scheme, payments to investors are made either the next day or a few days later, typically through a direct transfer to the investor's designated bank account.

This operation process is based on, and still suited to a time when capital markets operated in physical spaces where entry was restricted to only a small set of people. Typically, the price at which one bought or sold a stock was not available till the day's trading had ended. As these prices were an important input for calculating the pertinent fund's NAV, this lag in their availability dictated that NAVs could be declared only once every day. This, and not the availability of day-end prices for all holdings, is the real reason for the daily NAV model. As far as day-end prices are concerned, there is absolutely nothing that either differentiates them or makes them superior to those acquired at any point of time during the day.

After close to a century of technological change in the capital markets and payment systems, it is time that these processes change as well.

Based on the available technology and information flow, with transaction prices and market prices available to participants virtually on a real-time basis, there is no reason why NAVs of MFs should not be declared on a close to real-time basis as well. Even if a lag is to be permitted for transmission of information and calculations, it is entirely conceivable that all MF schemes, both debt and equity, can declare NAVs after every 15 minutes with a lag of a couple of minutes at the maximum.

And with real time payment systems already in place, it is entirely conceivable that unit creation for purchases can also happen at the same interval based on funds being received in the AMC's designated account. For sales as well, the applicable NAV can be the next one declared, though payment of proceeds may be dictated by the exchanges' settlement cycles. If, as discussed in my earlier article on capital markets, the exchange settlements also move to real time, then the lag in depositing redemption proceeds may also reduce to a few minutes.

The possibilities that these changes present go beyond the obvious. On the obvious front, these changes will allow investors to enter and exit funds at intra-day levels, even for actively managed portfolio. But there are other exciting possibilities that emerge in pure accrual-based debt products like overnight funds. Here, if the accrual format changes from end-of-day to continuous as well, investors can invest in the morning and exit in the afternoon and accrue returns only for the hours they remained invested. As with all changes, the true possibilities emerge only once the change is made.

It is time that the MF industry emerges from the technological dark ages and participates in the possibilities offered by the rapid advancement in technology and communication technology. For an industry that prides itself on far-sightedness, it's time to walk the talk.

The author is an economist, capital markets expert and the former CEO of Essel Mutual Fund

LETTERS

Pleasant surprise

The nomination of former Chief Justice of India (CJI) Ranjan Gogoi (*pictured*) to the Upper House by the government of India is a pleasant surprise and will add tremendous value to the Rajya Sabha. It is not long ago that Gogoi, along with three other Supreme Court judges, had gone public with their grievances against the modus operandi of then CJI Dipak Misra in January 2018, defying all past conventions of the apex court and ruffling feathers across Indian judiciary and politics.

After becoming the CJI later that year, Gogoi had set a timeline for the adjudication of the highly sensitive Ayodhya issue, which had been pending for decades, and went on to boldly deliver a historic judgment, just days before his retirement in 2019.

In the present nerve-wracking political environment, where the Indian Parliament is witnessing confrontation between the treasury and opposition benches like never before, the august presence of Ranjan Gogoi shall provide the necessary succor and have a sobering effect.

Mahendra B Jain Bengaluru

The worst hit

Apropos "Markets on crash course" (March 17), the falling streak in the stock markets globally has become a common headline in business dailies. Although no one is immune to the market crash, it is the typical retail investor who is the worst hit. Making an investment decision in the stock market is never an easy task. Dwindling stock returns owing to market volatility plus inadequate information about stock picking, add to the woes of the retail investors. With the declining interest rates on fixed deposits, increasing gold prices and slumping real estate, investors have been forced to explore the equity asset class. The "Oracle of Omaha" Warren Buffett said, "You should be fearful when others are greedy and greedy when others are fearful," emphasising that buying good deals during dips is worthwhile.

Ankita Kalia Chandigarh

Together we can

The outbreak of the coronavirus has not only taken a heavy toll on human lives but has also put the economy, businesses and the global markets in the doldrums. There are curbs on mass gatherings, pleas to remain at home and an embargo on air travel. The number of novel coronavirus cases in the country rose to 137 on Tuesday after fresh cases were reported from several states. The global community must put up a united front to tackle the medical emergency arising out of Covid-19.

N J Ravi Chander Bengaluru

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 · E-mail: letters@bsmail.in
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Regulatory gaps

YES Bank was an accident waiting to happen

The Reserve Bank of India (RBI) will face one of its biggest tests in recent times when the moratorium imposed on YES Bank is lifted. RBI Governor Shaktikanta Das on Monday did well to address the concerns of depositors and urge them not to withdraw cash in panic. The administrator of YES Bank also assured depositors on Tuesday that the bank had sufficient liquidity and would have access to additional liquidity if required. Further, the bank announced all its automated teller machines and branches had enough cash to meet any requirement. The assurances coming ahead of the lifting of the moratorium at 6 pm today should soothe some nerves and raise hopes that the regulator has managed to instil confidence among the bank's depositors.

But there are plenty of questions that the banking regulator and the government will need to answer in the coming days. The biggest question is why the regulator allowed the situation to deteriorate to a level that normal banking operations had to be suspended, causing significant inconvenience to depositors, and the bank had to be rescued. YES Bank was, in fact, an accident waiting to happen. For instance, advances went up by a compound annual growth rate of 34.1 per cent between 2014-15 and 2018-19, while deposits grew by 25.1 per cent during the same period. Such an aggressive expansion should have attracted attention. The regulator also failed to gauge the kind of assets it was holding. As a result, gross non-performing assets surged to about 19 per cent in the quarter ended December 2019. The fact that the bank was rapidly losing deposits shows that the alarm bells should have rung earlier. The bank's deposits fell 35 per cent in just under six months till March 5. The dam had actually burst much earlier in 2015-16, when the RBI had mandated an asset quality review, which threw up several non-performing assets divergence in YES Bank's book, exposing the bank's auditors.

The bigger issue is how the banking regulator intends to assure depositors and investors that something like this will not happen again. This is important, as depositors such as state governments are pulling out money from private-sector banks. While the RBI has written to state governments, the Union government should also intervene and ask states to stop unnecessary withdrawals. Confidence among common depositors will be affected if state governments and government-owned entities withdraw deposits from private-sector banks.

The other issue is that of reconstructing YES Bank and the so-called public-private partnership for its rescue. It is intriguing that so many private-sector lenders came forward to put equity capital in YES Bank. Shareholders of these banks are certainly not pleased with the idea, which is being reflected in their share prices. It is likely that YES Bank will need more capital and continued investment by these lenders, which, besides affecting the interests of shareholders, could end up increasing risks. Further, it is not clear how the share price for new investors was decided. A lower price would have resulted in further dilution for existing shareholders and lowered the risk for new investors. Also, the lock-in imposed on shareholders owning more than 100 shares will affect price discovery and make it more difficult for the bank to raise capital. It is critical that some of these issues are addressed at the earliest, as it will help build confidence in the system.

Rationalise GST now

Counteract coronavirus supply shock with tax reform

The likelihood that the novel coronavirus will cause a significant supply shock to the Indian economy — as well as a rippling demand shock from sectoral hits to some employment-intensive industries — will increase the pressure on the government to pump up the economy. In this context, as things stand today, the government should avoid a stimulus package that would not make any significant difference to a supply shock. Not only would a big stimulus package such as the one designed in 2008-09 at the time of the global financial crisis not address the specific problem that the economy is facing in 2020, but the government's fiscal position is also far from secure. It has already missed its fiscal deficit target by 50 basis points. However, there is still scope for action. In particular, it can move forward with rationalising goods and services tax (GST). This would act as a positive shock to supply and might go some way in counteracting the effects of COVID-19.

When GST was being planned, it was envisaged as a relatively low single-rate tax that would be easy to pay and reduce the burden on taxpayers as well as remove cascading from the system. It has not lived up to its full potential, partly because of serious politically-minded interventions made during the process of passage. While evasion of GST has proved to be more than possible, many complain that it has become overly complicated, and that the multiple rates reduce its efficiency and effectiveness. So far the government has insisted that multiple rates are politically essential, given the level of inequality in the country — that luxury cars, for example, could not be taxed at the same rate as goods consumed by the "common man". However, this is economically the wrong way to go about dealing with inequality. Direct taxes and transfers are the correct and efficient route to do so, since they introduce fewer distortions into the economy. Some basic goods could be zero rated, or continue to be zero rated, while the overall GST rate is stabilised at a single figure — perhaps 12 per cent or 15 per cent.

Certainly, the rationalisation of GST will also affect government revenues. However, a simpler and more transparent system would allow greater collection and reduce evasion. The government will receive a windfall this year from lower crude oil prices. The moment to move on the structural reform agenda is now. The GST Council has done well to address the inverted duty structure in mobile phones. Further rationalisation will give confidence to the market that the government is serious about reforms. It was promised that GST would remain a work in progress, and that the GST Council would act often to improve it. So far, however, the changes have been marginal and haphazard. A more structured and rational approach, which outlines a quick path to a single rate, would pay dividends for the economy in the longer run. It would also be an effective way to manage the immediate effects of a supply shock such as is being caused by the pandemic.

ILLUSTRATION: AJAY MOHANTY

The GST dilemma

Design framework and tax evasion pose counter challenges

PARTHASARATHI SHOME

The reality of goods and services tax (GST) in the field is that there is tax evasion on one side and administrative hurdles on the other. First, the tax administration has not been able to fulfil the promised objective of providing a tight infrastructure to weed out evasion. Second, the administration and the taxpayer have to contend with continuing changes in GST rates made by policymakers with a frequency not witnessed anywhere else. Third, new laws in other sectors have conflicted with GST implementation. Fourth, large businesses are as much prone to tax evasion as small, lending a touch of implausibility to the tax. Fifth, examination of systemic deficiencies and correcting them promptly are missing.

Possibly, the biggest challenge from the administration's point of view has been its inability to autopopulate linked information from one tax form to another even though that is quintessential to success. Shorn of technical detail, essentially there are three GST Forms — 1M, 2A and 3B. Let us call them 1, 2 and 3. The taxpayer has to report his sales in Form 1, each row showing one sale. The columns in the form comprise GST number, detail of invoice issued, GST rate applicable, central GST value/amount, state GST value/amount. The total tax revenue collected by this taxpayer for the Centre or states is obtained when the CGST or SGST column is aggregated.

Form 2 shows the taxpayer's purchases. Here, too, each row represents one purchase and the columns show the GST number, detail of invoice received, the rate of tax paid, and the value of CGST and SGST paid. Aggregating CGST or SGST columns yields the value of CGST or SGST paid on purchases by the taxpayer. Importantly, this amount comprises the input tax credit (ITC) that the taxpayer has the right to claim back.

Form 3 is the GST return (tax return for GST). The columns show the tax liability, which is the value of tax collected on sales minus value of tax paid on purchases (ITC). Additional columns show how much of the tax is paid in the form of cash, and how much through accumulated credit (AC). AC is shown in an electronic ledger tracking how much tax is paid using cash and how much using ITC.

If output value is higher than input value as should usually be the case, one may expect that tax paid on inputs would be lower than the tax paid on output. But that is not always the case. It is not rare for ITC to get accumulated since the GST rate on output could be lower than on input, or ITC could be statutorily given over a period of years, or upon proof of documents — such as for exports — to the satisfaction of the administrator, or ITC could be held up reflecting a lack of clarity in the determination of correct classification of an imported input, or for various other reasons. Therefore, it is quite possible to pay GST in year two with both AC from year one and the remainder with cash available in year two.

The major continuing lacuna is that forms 1, 2 and 3 were intended to be electronically linked but are not. Form 3 should have been automatically (electronically) populated as soon as the GST number of a taxpayer entered form 1 or 2. There should ideally be no requirement or possibility for a taxpayer to enter information into the three forms separately. But that is what is occurring even though the public-private partnership, that is managing information technology aspects currently, was supposed to have designed the electronic inter-connectivity of the forms. The introduction of GST without this basic linked-framework is now rearing its head in tax evasion.

Essentially, GST without the innovation of linkages yielded by auto-population means that it is not fundamentally different from India's earlier indirect tax structures. Similar modes of evasion continue under GST. One method of evasion is claiming huge amounts of tax payment through AC. Without field investigation there is no way to find if the AC used to pay tax reflects the true picture. As a Latin American finance minister once confessed to me in frustration, "Doctor, in my country, there are a lot of elephants hiding among the mice". Indeed, many large corporations appear to be building up AC through which tax is being paid. Some of it may certainly be legitimate, reflecting GST's structural deficiencies or delay in processing. But that cannot be the entire story.

Another method is to show large and false turnover and, together with it, large input costs. This serves a triple purpose of satisfying shareholders, satisfying lenders for seeking bigger loans, as well as building up AC on paper, even though actual purchases (and sales) could be much lower. False AC limits GST revenue collection in cash, in turn constraining government expenditure disbursements and increasing the pressure on tax collectors to increase collection willy-nilly, in turn limiting legitimate ITC claimed by honest taxpayers.

Fake invoices also have been used by brokers who are used by company executives in particular sectors. Unbeknownst to the executives, such brokers are the ones who make illicit profit through exploiting such businesses that they are supposed to serve. The Bankruptcy Code has not helped. It allows taxpayers to hide behind Section 13 on non-performing assets (NPAs). Once allowed, then tax liability under GST is set aside.

On the flip side, the frequent dropping and jamming of the GST website for uploading and other functions have to be successfully mitigated if good taxpayers are expected to comply on time. Terminating GST registration when a supplier goes out of operation should be considered automatic rather than pending the process for little reason. Many other impediments continue against the good GST taxpayer.

Ultimately, how GST fares will depend on the Indian taxpayer's attitude towards paying tax. But complementary policy and administrative actions are imperative. Policymakers should produce a consistent and stable tax rate structure; the PPP model for auto-populating forms should be achieved without delay; and facilitation by the administration in refunds, de-registration and other functions should not be thwarted by the administration to meet revenue objectives. Only then, GST can be considered a success.

Plagued by Trumpism

JOSEPH E STIGLITZ

As an educator, I'm always looking for "teachable moments" — current events that illustrate and reinforce the principles on which I've been lecturing. And there is nothing like a pandemic to focus attention on what really matters.

The COVID-19 crisis is rich in lessons, especially for the United States. One takeaway is that viruses do not carry passports; in fact, they don't observe national borders — or nationalist rhetoric — at all. In our closely integrated world, a contagious disease originating in one country can and will go global.

The spread of diseases is one negative side effect of globalisation. Whenever such cross-border crises emerge, they demand a global, cooperative response, as in the case of climate change. Like viruses, greenhouse-gas emissions are wreaking havoc and imposing massive costs on countries around the world through the damage caused by global warming and the associated extreme weather events.

No US presidential administration has done more to undermine global cooperation and the role of government than that of Donald Trump. And yet, when we face a crisis like an epidemic or a hurricane, we turn to government, because we know that such events demand collective action. We cannot go it alone, nor can we rely on the private sector. All too often, profit-maximising firms will see crises as opportunities for price gouging, as is already evident in the rising prices of face masks.

Unfortunately, since US President Ronald Reagan's administration, the mantra in the US has been that "government is not the solution to our problem, government is the problem." Taking that nostrum seriously is a dead-end road, but Trump has travelled further down it than any other US political leader in memory.

At the centre of the US response to the COVID-19 crisis is one of the country's most venerable scientific institutions, the Centers for Disease Control and Prevention, which has traditionally been staffed with committed, knowledgeable, highly trained professionals. To Trump, the ultimate know-nothing politician, such experts pose a serious problem, because they will contradict him whenever he tries to make up facts to serve his own interests.

Faith may help us cope with the deaths caused by an epidemic, but it is no substitute for medical and scientific knowledge. Willpower and prayers were useless in containing the Black Death in the Middle Ages. Fortunately, humanity has made remarkable scientific advances since then. When the COVID-19 strain appeared, scientists were quickly able to analyse it, test for it, trace its mutations, and begin work on a vaccine. While there is still much more to learn about the new coronavirus and its effects on humans, without science, we would be completely at its mercy, and panic would have already ensued.

Scientific research requires resources. But most of the biggest scientific advances in recent years have cost peanuts compared to the largesse bestowed on our richest corporations by Trump and congressional Republicans' 2017 tax cuts. Indeed, our investments in science also pale in comparison to the latest epidemic's likely costs to the economy, not to mention lost stock-market value.

Nonetheless, as Linda Bilmes of the Harvard Kennedy School points out, the Trump administration has proposed cuts to the CDC's funding year after year (10 per cent in 2018, 19 per cent in 2019). At the start of this year, Trump, demonstrating the worst timing imaginable, called for a 20 per cent cut in spending on programmes to fight emerging infectious and zoonotic diseases (that is, pathogens like coronaviruses, which originate in animals and jump to humans). And in 2018, he eliminated the National Security Council's global health security and biodefense directorate.

Not surprisingly, the administration has proved ill-equipped to deal with the outbreak. Though COVID-19 reached epidemic proportions weeks ago, the US has suffered from insufficient testing capacity (even compared to a much poorer country like South Korea) and inadequate procedures and protocols for handling potentially exposed travellers returning from abroad.

This subpar response should serve as yet another reminder that an ounce of prevention is worth a pound of cure. But Trump's all-purpose panacea for any economic threat is simply to demand more monetary-policy easing and tax cuts (typically for the rich), as if cutting interest rates is all that is needed to generate another stock-market boom.

This quack treatment is even less likely to work now than it did in 2017, when the tax cuts created a short-term economic sugar high that had already faded as we entered 2020. With many US firms facing supply-chain disruptions, it is hard to imagine that they would suddenly decide to undertake major investments just because interest rates were cut.

Worse, the epidemic's full costs to the US may be yet to come, particularly if the virus isn't contained. In the absence of paid sick leave, many infected workers already struggling to make ends meet will show up to work anyway. And in the absence of adequate health insurance, they will be reluctant to seek tests and treatment, lest they be hit with massive medical bills. The number of vulnerable Americans should not be underestimated. Under Trump, morbidity and mortality rates are rising, and some 37 million people regularly confront hunger.

All these risks will grow if panic ensues. Preventing that requires trust, particularly in those tasked with informing the public and responding to the crisis. But Trump and the Republican Party have been sowing distrust toward government, science, and the media for years, while giving free rein to profit-hungry social-media giants like Facebook, which knowingly allows its platform to be used to spread disinformation. The perverse irony is that the Trump administration's ham-handed response will undermine trust in government even further.

The US should have started preparing for the risks of pandemics and climate change years ago. Only governance based on sound science can protect us from such crises. Now that both threats are bearing down on us, one hopes that there are still enough dedicated bureaucrats and scientists left in the government to protect us from Trump and his incompetent cronies.

The writer, a Nobel laureate in economics, is professor at Columbia University and chief economist at the Roosevelt Institute. He is the author, most recently, of People, Power, and Profits: Progressive Capitalism for an Age of Discontent. *©2020 Project Syndicate*

Indo-Pak: Why dialogue helps

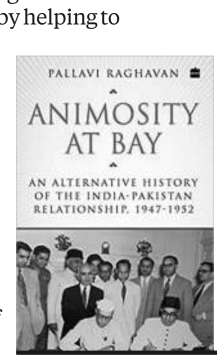
BOOK REVIEW

CHANDRASHEKHAR DASGUPTA

India and Pakistan emerged as independent states in 1947 amidst scenes of unprecedented communal frenzy characterised by arson, rioting, horrendous massacres, abduction of women folk and refugee exoduses on an epic scale. Soon after independence, undeclared war broke out between the infant states, following an invasion of Kashmir by Pakistani tribesmen. In 1950, the two countries once again found themselves on the brink of war over the treatment of minorities in East Pakistan. It was a period marked by high tensions and inflamed public opinion on both sides of the newly-established border.

Yet, as Pallavi Raghavan shows in her fine scholarly survey of India-Pakistan relations, the two countries maintained an uninterrupted dialogue during these years in order to resolve — or at least contain and manage — the deep differences that marred their relations. Drawing on available archival material, Ms Raghavan sheds new light on India-Pakistan negotiations on the many contentious issues arising from the partition of British India. These included the management and disposal of evacuee properties, protection of religious minorities, sharing of the Indus Waters, regulation of trade and finance across a newly formed border and the drawn out, but ultimately unsuccessful, efforts to conclude a "No War" Pact.

These negotiations yielded no permanent solutions; yet, argues Ms Raghavan, a "series of ad hoc, interim measures that could be countenanced by both states were devised in the meantime to patch things over". Regardless of the actual outcome of negotiations, dialogue itself served a very real purpose by helping to maintain a degree of stability in India-Pakistan relations.



ANIMOSITY AT BAY: An Alternative History Of The India–Pakistan Relationship, 1947–1952
Author: Pallavi Raghavan
Publisher: HarperCollins
Price: ₹699

The Nehru-Liaqat Pact, for example, was aimed at protecting minority rights in the context of a massive exodus of Hindu refugees from East Pakistan. The refugee influx had triggered calls in India for a military solution. The pact itself "had patchy degrees of success, though it did succeed in stabilizing the flow of migrants across the Bengal delta for the time being. The consequences of the Pact, moreover, went some way to avoid the breakout of a war between the two countries."

Likewise, negotiations on sharing the Indus Waters came to naught. However, they did bring to light the technical possibility of allowing Pakistan to develop an irrigation system based on the waters of the western rivers, while reserving the eastern rivers for India. The scheme required investments on a scale that was unaffordable in 1953, but it provided the framework of an agreement in 1960, after the World Bank's offer to provide the requisite financial support.

In early 1950, Jawaharlal Nehru and Liaquat Ali Khan began a correspondence on a "No War" Pact that continued almost till the end of the year. They failed to reach an agreement and Nehru's initiative may appear to have been nothing more than an exercise in futility. Emphasising the importance of atmospherics, Ms Raghavan argues that the exercise did, in fact, serve an important purpose. The significant feature of the Nehru-Liaquat correspondence on a "No War" pact was that it was in the public domain; the "objective of having the correspondence was to be able to declare loudly that it had taken place." The central concern, she contends, was image projection at a time when talks were in progress on many other deeply divisive issues. The impulse for dialogue and reconciliation was "not merely fleeting or whimsical, but drew on concrete imperatives which were in the political interests of both governments".

The book under review is an important contribution to diplomatic history not only because it presents a thoroughly researched and balanced narrative of India-Pakistan relations in the early post-independence years, but also because it offers an alternative perspective. The first feature is captured in the title of the book; the second, in its sub-title. Ms Raghavan presents us with an "alternative history" of Indo-Pakistani relations. She suggests that the "relationship was not necessarily inevitably predisposed toward conflict", demonstrating how the 1950s "saw a slew of highly constructive inter-governmental exchanges, including a number of major ministerial summits and conferences, frequent — indeed, sometimes almost daily — communication between the two prime ministers, numerous meetings between provincial delegations from either side of the border, and dense engagements between cabinet ministers, bureaucrats and diplomats..."

Surveying the past with an eye on the present, she suggests that "acts of engagement and co-operation are as integral to the interests of both countries as those that perpetuate hostility."

The reviewer is a retired ambassador and the author of War and Diplomacy in Kashmir, 1947-48

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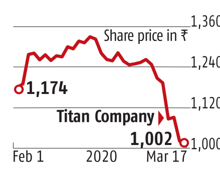
QUICK TAKE: WEDDING BLUES FOR TITAN



Shares of watch and jewellery maker Titan are down 24 per cent in one month, in line with the market. Analysts say sales could dip 25 per cent as the upcoming wedding season would get pushed and consumers will curtail spending

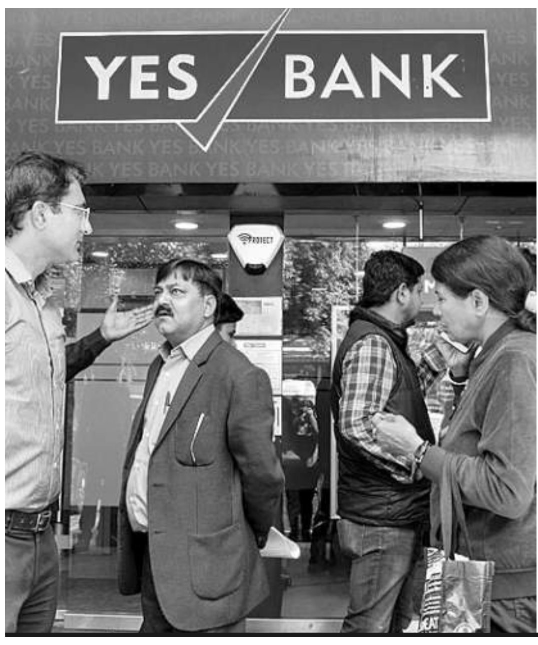
"I am very confused. There is no real shorting in India. There is single stock futures market and index futures market in which each person shorting is matched by another person buying. So net shorting in futures market is zero. How does one ban zero?"

SAMIR ARORA, fund manager, Helios Capital

The mystery behind YES Bank's rally

₹10K-cr infusion, lock-in and hurried short-covering led to 2.3x surge in the stock

SAMIE MODAK & HAMSINI KARTHIK
Mumbai, 17 March



Shares of YES Bank have jumped 2.3 times in just two trading sessions, from ₹25.5 at Friday's close to ₹58.7 on Tuesday. This despite the benchmark Nifty nosediving 10 per cent during the same period.

So what explains the surreal gain in the troubled private sector lender's stock price?

First, the ₹10,000-crore infusion from a clutch of marquee financial institutions, including State Bank of India (SBI), ICICI Bank, and HDFC, as part of the restructuring plan. With noteworthy domestic investors pumping money into the beleaguered bank and the moratorium on the bank to be lifted Wednesday evening, global rating firm Moody's was quick to upgrade its outlook on YES Bank to positive. This had an implication on its stock price on Tuesday. "Given the new capital raised and the AT-1 (additional tier-1) capital securities write-down, Moody's expects YES Bank's solvency has improved and that the recovery rates for the bank's depositors and senior creditors will be very high, supporting the current credit ratings," the agency noted.

Further, in Tuesday's press meet chaired by the bank's administrator, the management clarified that the entire stressed loans were fully recognised in its December quarter results, a factor that should instil confidence in the existing and new investors of YES Bank.

These developments are a big turn as compared to the bank's position until recently. For example, the bank had seen its deposits shrinking a whopping 27 per cent sequentially to ₹1.65 trillion at the end of December quarter. This figure has further shrunk to ₹1.34 trillion between January and March 4. Deposits, too, had shrunk by about a sixth, sequentially, at the end of the December quarter.

The second aspect fuelling the current stock rally is more the controversial three-year lock-in on 75 per cent of the shares — both existing and newly issued. It is worth noting that the Nifty had hit the 10 per cent down limit in Friday's trade before rebounding 16 per cent. Several banking and financial stocks had swung more than 30 per cent intra-day, making it a fertile ground for traders.

Given the weak market sentiment, particularly towards financial stocks, there were several open short positions in YES Bank at Friday's market close. Over the weekend, the government announced details of the restructuring plan, under which SBI would pump in ₹6,050 crore and get a 48.2 per cent stake in YES Bank, while ICICI Bank and HDFC would invest ₹1,000 crore each, and would get an 8 per cent stake each. Meanwhile, five others would also invest between ₹250 crore and ₹600 crore.

These eight investors would be issued 10.2 billion shares (fresh equity) at ₹10 each. The move would augment YES Bank's equity base from the existing 2.55 billion shares to 12.55 billion shares on a post-diluted basis.

Given the huge dilution, the stock price of YES Bank will get adjusted — as it does in an event of a bonus or stock split — once the new ones are issued (likely on Wednesday). However, the supply in the YES Bank counter will not be proportionate as 75 per cent of the issuance has a lock-in. Moreover, none of these large banks/financial institutions will be selling; in fact, the SBI chairman has said the bank will not sell any YES Bank shares for three years. But the valuation metric will most likely change.

At the current price of ₹58.7, the adjusted price works out to ₹20 per share — the weighted average value of current and newly issued shares. The adjusted price is double of the infusion price for new equity at the prevailing market rate.

While analysts say that at ₹18,564 crore of loss in the December quarter, the bank's adjusted book value has almost eroded, a back-of-the-envelope calculation assuming ₹10 per share as book value (or face value of new investments), YES Bank's price-to-book ratio based on the above-mentioned adjusted price works to 2 times. At these levels, YES Bank overtakes IndusInd Bank's 1.87 and is a tad lower than 2.1 times for Axis Bank, in terms of valuations.

But, if one considers Friday's price of ₹25.5, the adjusted price works out ₹12.6 per share, a premium of 26 per cent to the price at which the nine institutions have got the share. Analysts say some premium over the infusion price is warranted as the SBI-led restructuring is tipped to revive the bank's fortune. Market players say the premium should be between 20 per cent and 50 per cent, depending on how the depositors react once the moratorium ends. Depositor support and the new capital would give YES Bank to turn a new chapter, many are hoping.

So, what justifies the huge premium that the market was willing to pay on Tuesday? The answer to that is trapping of short positions. As the lock-in was announced without prior notice, short-sellers in derivatives, as well as cash segment (many had borrowed through the stock lending and borrowing mechanism), had to cover their positions. Add to that the complications created for exchange-traded funds (ETFs), which hold YES Bank as part of their Nifty and Bank Nifty basket. Further, the lock-in requirement reduced the free-float by 75 per cent, forcing short-sellers to pay top dollar to cover their positions. Also, given the expectations of change in fortunes of the bank, existing investors weren't willing to let go of the shares that easily.

THE NEW LOOK

Capital structure	No. of shares (bn)	Share price (₹)	M-cap (₹ cr)
Current	2.55	59	15,000
After infusion*	12.55	20	25,000

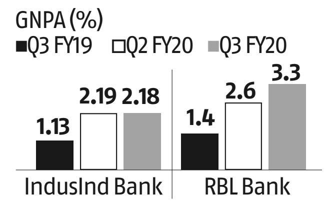
	Infusion (₹ cr)	Stake (%)
SBI	6,050.0	48.21
ICICI BANK	1,000.1	7.97
HDFC	1,000.0	7.97
Axis Bank	600.0	4.78
Kotak	500.0	3.98
Federal Bank	300.0	2.39
Bandhan Bank	300.0	2.39
IDFC First	250.0	1.99
LIC	205.5	1.64

Source: BSE; Note: *Based on current price and issuance price for new equity

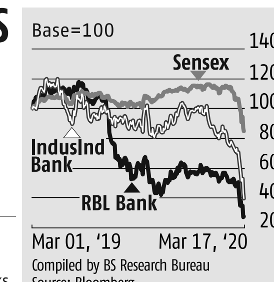
IndusInd, RBL Bank: Victims of risk aversion

Two stocks have almost halved in a month, trading near record lows

GROWING STRESS



GNPA (%): Gross non-performing assets ratio
Source: Banks



Compiled by BS Research Bureau
Source: Bloomberg

HAMSINI KARTHIK
Mumbai, 17 March

The stocks of IndusInd Bank and RBL Bank have nearly halved in a month and shed 65-75 per cent in a year, as worries over asset quality and loan growth dented investor sentiment. At the current levels, the RBL Bank stock trades near its all-time low, while IndusInd Bank is at a nearly six-year low.

This despite IndusInd Bank's management clarifying a week ago that the bank is well-capitalised. RBL Bank issued another media statement on Tuesday stating that its financial position remains strong, though it did see a 3 per cent reduction in deposits last week.

March quarter results, due about in a month, will hold the key if the two stocks have to cut their losses

What's also ailing these stocks and the banking sector at large is the dwindling investor confidence created by the YES Bank turmoil. "Foreign investors have turned cautious on banking stocks sooner than expected," says the research head at a top brokerage, though Siddharth Purohit of SMC Capital feels that IndusInd Bank and RBL Bank are examples of extreme risk aversion.

That said, it doesn't take away the fact that he remains cautious on the two stocks, thanks to the prolonged economic slowdown, worsened by the COVID-19 pandemic.

For analysts, more than the growth slowdown, the composition of their loan book is a cause of concern. Nearly 40 per cent of IndusInd Bank's loan book — 24 per cent vehicle loans, 10 per cent microfinance (MFI) loans, and the remaining comprising loans to commercial real estate projects and non-banking financial companies — has been under stress for a while. "How much of these loans can remain standard in the context of the economic slowdown is tough to guess and an increase in credit costs is a likely scenario," says a banking analyst from a domestic research firm.

RBL Bank's exposure may be equally susceptible to asset quality shocks. Nearly 37 per cent of its book is characterised by unsecured loans — credit cards and small business loans — while 14.2 per cent is MFI loans. Not just that, in Q3, it indicated 2.14 per cent of its loan book was stressed (up from 1.6 per cent in Q2) which could lead to elevated slippages.

"With the operating environment only getting tougher and reluctance among investors for banking stocks, risk aversion in the RBL and IndusInd Bank stocks seem justified," says a research analyst at a foreign brokerage.

March quarter results, due about in a month, will hold the key if the two stocks have to cut their losses.

EM ETF OUTFLOWS TOPPED $4 BILLION LAST WEEK

Investors withdrew over $4 billion last week from exchange-traded funds (ETFs) that buy EM stocks and bonds. This was the fourth straight week of outflows and also the biggest weekly outflow in more than a year. BLOOMBERG

OUTBOUND

China and India among worst hit

	ETF flows ($ mn)			
	Equity	Debt	Total	Assets ($ bn)
China*	-846	-36	-882	77.4
Taiwan	-293	0	-293	25.9
India	-432	-8	-439	20.5
Brazil	-142	-73	-216	18.8
South Korea	-200	-9	-209	14.5
Emerging markets	-2,492	-1,551	-4,043	224

Note: Data for US-listed EM ETFs; *China shares listed in Hong Kong; Data for last week
Source: Bloomberg

Lanka follows Philippines in shutting bourses

Other smaller markets may take similar steps

BLOOMBERG
Manila/Singapore, 17 March

In their war against COVID-19 and foreigners' exodus, smaller markets might follow the Philippines in shutting down their bourses, market participants say.

The nation's move to close its equity market until Thursday has already been followed by Sri Lanka. In both cases, the reason given for the closure is to help contain the spread of the coronavirus, which has already infected more than 174,000 globally and killed over 7,000.

"Smaller emerging markets, including Jakarta, would be the most likely to suffer the same fate," said Jeffrey Halley, a senior market analyst at Oanda Asia Pacific in Singapore. "Their virus containment approach has been slow and piecemeal."

For developed nations with virus-containment measures and business continuity plans in place, market shutdowns are not necessary, he added.

The Indonesia Stock Exchange said it has no plan yet to shut equities trading. The country banned short selling in stocks earlier this month.

Shutting markets during times of crisis is extremely rare but not without precedents. America's stock market closed for almost a week after the 9/11 terrorist attacks in 2001, while Hong Kong halted trading in the wake of the Black Monday crash in 1987. Greece shut its stock market for about five weeks in 2015.

ASIAN MARKETS

Country	M-cap*($ bn)
Indonesia	359.37
Thailand	344.20
Malaysia	190.42
Philippines	129.09
Vietnam	110.21
Sri Lanka	12.26

Note: *As of March 17, 2020
Compiled by *BS* research bureau

"There have to be plans similar in nature by regional markets" where new infections are gathering pace, said Sameer Kalra, founder of Target Investing in Mumbai. "The move is good to contain the virus spread since exchange buildings are hugely populated areas, but it may put a lot of jobs at risk," Kalra said.

While a shutdown to avoid financial crashes can severely erode confidence in a nation's capital markets, investors might be more forgiving this time around, according to Thomas Hayes, chairman at Great Hill Capital in New York.

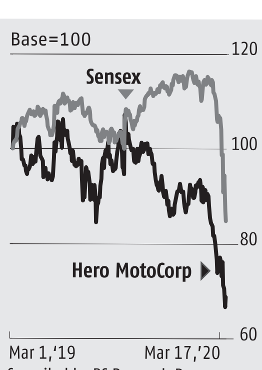
"If it is part of a quarantine strategy to avoid the spreading of the virus, that may be viewed with greater understanding," Hayes said.

THE COMPASS

Near-term headwinds may cap upside for Hero MotoCorp

Valuations attractive after 50% fall from peak

RAM PRASAD SAHU



Compiled by BS Research Bureau

India's largest two-wheeler maker could be a beneficiary of an expected pick up in rural-led consumption. While most brokerages believe that in the short term, it could see headwinds on account of BS-VI transition, higher prices and the coronavirus pandemic, volumes are expected to pick up in the second half of FY21.

Hero MotoCorp is better placed than peers, such as Bajaj Auto and TVS Motor, given that a higher proportion of its sales come from the rural markets. Brokerages expect demand to pick up in the rural markets because of a strong Rabi season, higher crop prices, and government schemes. About half of Hero MotoCorp's volumes are from the rural segment.

Though year-to-date volumes in its core motorcycle segment are down 13 per cent, the company continues to maintain its market share. Analysts at Kotak Institutional Equities indicate that Hero's share at 51-52 per cent has been maintained over the past six years despite concerns over Bajaj Auto's increased competitiveness and a decline in its market share in the premium motorcycle segment. Profitability per bike has also increased over the last five years by more than 40 per cent to ₹6,304 in FY19.

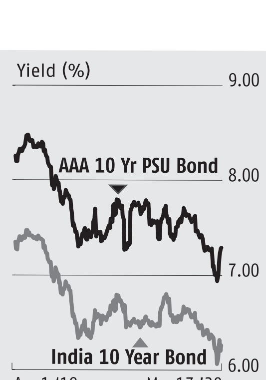
The biggest trigger for the stock, however, is the attractive valuation. The stock has corrected over 50 per cent from peak levels and is now available at 10 times trailing 12-month earnings as compared to the historical average of 18 times on this metric. Analysts at HDFC Securities say that after the fall, the stock is trading below the 2008 crisis levels on the price-to-book value basis at 2.3 times. Even on an enterprise value-to-sales basis, it is at the 2008 levels.

Investors, however, will need a longer-term horizon, given the worries on account of domestic slowdown and a sluggish marriage season. Further, the company has not been able to make much progress in the premium motorcycle segment and has been losing market share in scooters. Volumes in scooters were down 44 per cent year-to-date. Most brokerages have cut their volume and earnings prospects of the company in the near term.

Bonds: A better option to park money

Experts: While rate cuts augur well for long-term bonds, investors should avoid credit funds

SHREEPAD S AUTE



Compiled by BS Research Bureau

The Indian equity markets are likely to remain highly volatile in the near term. However, at a time when the overall investment sentiment is subdued, the bond market is likely to be in better shape.

With concerns of muted economic activities globally, as well as in India, amid the coronavirus outbreak, the Reserve Bank of India (RBI) is expected to cut interest rates, which augurs well for long-tenure bonds. Interest rates are bond prices are inversely related -- meaning if rates fall, bond prices move up, and vice-a-versa.

According to Dhawal Dalal, chief investment officer (CIO) at Edelweiss Securities: "Given the high expectations of a rate cut by the RBI amid a likely negative impact of coronavirus on the economic activity, long-term bonds are likely to experience price appreciation." In fact, the chances of rate cuts by RBI now look more likely, given that major central banks globally, such as the Federal Reserve, Bank of Japan, and Bank of England, have already announced policy rate cuts, as well as substantial liquidity infusion into their respective economies, to soften the impact of slower growth.

Although the domestic debt market has witnessed selling pressure from foreign portfolio investors (FPI) in recent days, which along with rupee depreciation may have hurt bond yields to some extent, there is a silver lining. According to Mahendra Kumar Jajoo, CIO- fixed income, Mirae Asset Mutual Fund: "The RBI's intention to support the bond market should help contain pressure in that market." For instance, the Operation Twist, liquidity injection under long-term repo operation (LTRO), current set of repo auctions announced by the RBI on Friday, and US-dollar swaps announced on Thursday should collectively ease bond yields."

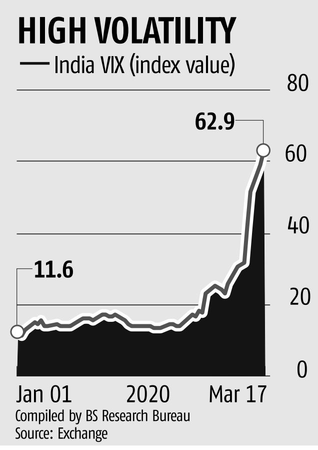
Short-to-medium tenure bonds, which are less volatile and could deliver better returns than cash or other liquid mutual funds, are other options, say experts. "Short-duration debt funds with around one- to four-year tenure can be a good option for risk-averse investors. Yields on these funds are better than yields on very liquid funds or cash," says R Sivakumar, head of fixed income at Axis Mutual Fund. Yields typically mean expected returns.

Overall, the bond market is expected to do better in these tough times. However, investors need to be very selective. For instance, Dalal says that BHARAT Bond ETF-April 2023 and BHARAT Bond ETF-2030 invest only in AAA-rated PSU/PFI bonds and, therefore, provide excellent options for investors in the current situation. While government bonds are also safe, the possibility of FPI selling, and hence some volatility, is not ruled out. At the same time, investors are advised to stay away from credit funds because of high volatility.

Equity-linked debentures in focus

FY20 had seen increasing issuances on higher demand


PHOTO: KAMLESH PEDNEKAR



SACHIN P MAMPATTA
Mumbai, 17 March

Instruments whose payouts depend on equity market levels are likely to be closely watched amid the carnage in the global and domestic markets.

The Indian indices have entered bear market territory amid a spike in volatility. The S&P BSE Sensex has fallen over 10,000 points from its peak. The India VIX, a volatility index which is also known as the market's fear-gauge, has also risen to multi-year highs.

Ashish Shanker, associate director and head of investments for Motilal Oswal Wealth Management said equity-linked debentures will become more expensive for investors now. Higher volatility increases the price of issuing such debentures since issuers typically hedge their risk using derivatives. The cost of such hedging goes up when volatility increases, making it less attractive for issuers who tend to prefer taking derivative positions to manage their risk.

"Most people will hedge," he said.

Nimish Shah, head of investments at BNP Paribas Wealth Management said lower market levels make such instruments attractive from a return perspective.

"While this is the right time to get in (to such instruments), the credit risk and underlying business model of the issuing entity must be carefully evaluated," he said.

Many issuers who are active in the market are rated 'AA' or below. This means that they carry a higher chance of default in the event of liquidity issues. Investors must weigh this risk when they decide to allocate capital to equity-linked debentures, he added.

Equity-linked debentures involve a payout which depends on market levels. This is usually achieved by investing a portion of the capital in call options. They give the investor the right but not the obligation to buy into securities at a pre-defined price. The issuer usually writes long-dated options for the investor depending on the maturity of the instruments. The interest on the debt portion covers the invested principal over the period of the instrument. The value of the call option provides an upside boost to returns.

The issuance of market-linked debentures, whose payout depends on a reference index, had been rising in recent times. They looked likely to hit a new high in 2019-20 (FY20), according to a June 25, 2019 report from rating agency Care, entitled Market linked debentures: Heading for a new high in FY20. Such issuances are likely to touch ₹17,000 crore in FY20, according to the report.

The National Stock Exchange's Nifty 50 index accounted for 63 per cent of issuances for the quarter in which the report was issued. Many also have government securities' movement as a reference. Issuers used the instrument to raise capital amid tighter liquidity conditions.

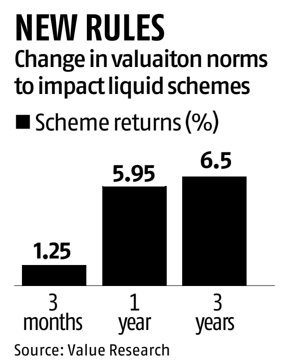
The average maturity of such issuances had fallen to 2.89 years in 2018-19 (FY19). It was 2.92 years in FY18.

Liquid schemes can see spike in volatility

JASH KRIPLANI
Mumbai, 17 March

The new debt valuation norms coming into force from April 1 are likely to lead to higher volatility for liquid schemes, with debt securities across maturity tenures moving to mark-to-market valuations.

Market participants said that some volatility has already been factored in the schemes. "The kind of movement in returns we have been seeing, it has been reflecting the changes. However, there could be an increase in the intensity of volatility as new norms come into play," said Mahendra Jajoo, head-fixed income, Mirae MF.



Industry experts said over time, investors' preference for schemes may get affected, depending on how funds are managing the volatility. "Some fund managers have been getting ready for these changes in advance. In a few months, we can see how investors' preference is affected -- whether they opt for conservatively run liquid schemes or aggressive strategies," said a fund manager.

"To manage volatility, fund managers will have to shift to much shorter duration papers, which would impact yields. So, schemes will have to make trade-offs between returns and volatility," said Rajiv Shastri, debt market expert.

Experts said Sebi has brought in new norms to deter institutional investors from seeing liquid schemes as a daily product, so yield-chasing institutional flows are likely to reduce in liquid funds.

According to Sebi norms, withdrawing investments from liquid schemes within one week would attract exit loads, with the shortest investment horizon liable to higher loads. "Liquid schemes that are keeping their investments to shorter maturity papers, such as seven days, should see volatility smoothen out," said another fund manager.

Overnight schemes have started to gain traction as investors with daily liquidity needs are shifting part of their portfolios to these schemes. Average assets under management of these schemes stood at ₹51,906 crore in January — over fourfold jump since the beginning of the current financial year.

Do not panic if SIP return is in the red

Any money that you need in the short term should be pulled out of equities

SANJAY KUMAR SINGH

Returns from systematic investment plans (SIPs) are not supposed to turn negative. But they have currently. Average SIP returns of diversified equity funds across market caps and investment horizons (up to five years) are in the red. SIP returns are also looking poorer at present than trailing returns (*see table*).

The swift fall in the markets is behind both the phenomena. "SIPs work well when the markets witness a downturn and then rally. With each instalment you are able to purchase units at lower levels. This pays off when the markets move to a higher level. When the opposite happens — you have been purchasing at similar or higher levels and there is a sharp fall — then SIP returns could turn negative and also lag behind point-to-point returns," says Vidya Bala, co-founder, PrimeInvestor. In case of a lump sum investment, there is no averaging of purchases at higher levels, and hence the return is slightly better. Instances of SIP returns turning negative have occurred in the past also, but they are rare.

Many investors may experience disappointment at not earning a positive return from equity funds despite holding them for five years. "It is to guard against this risk that investors are advised to have some allocation to debt even in longer-term portfolios," says Bala.

Large-cap funds have fallen more sharply over the past year than mid- and small-cap funds. Normally, investors associate higher stability and resilience with the large-cap category. "Large-caps had rallied more in 2019. Mid- and small-caps have hardly performed since the start of 2018. They had only started catching up from November 2019. Since large-caps had risen more, their fall has also been sharper," says Ankur Kapur, founder and managing partner, Plutus Capital.

One lesson from the sharp correction is that any money that you need in the short-term should be pulled out of equities. "Follow a glide path and start reducing equity allocation as your goal approaches. Money required for that goal should be fully invested in fixed-income instruments at least two-three years in advance," says Deepesh Raghaw, founder, PersonalFinancePlan.in, a Sebi-registered investment adviser.

Do not be led by the current numbers into stopping your SIPs. As explained earlier, it is only now that each instalment of your SIP will start purchasing units at lower prices, and this will enhance your returns when the markets rebound. And they always do. Bear in mind that the 52 per cent decline of the Sensex in 2008 was followed by an 81 per cent rebound in 2009.

If a fund you have invested in has declined much more than the category average, do not dump it in haste. Some funds decline less because they move into cash. This looks good so long as the markets are falling but can backfire if the markets rebound sharply. If the fund you hold has a good long-term track record, then give your manager time to recover. Some funds tend to fall harder in a downturn but compensate by rising equally swiftly when the markets recover. But if the fund has been a laggard for, say, six quarters, then you may jettison it and move to a more consistent performer.

TRAILING SIP RETURNS LOOK WORSE

	SIP return (%)			Trailing return (%)		
	Max	Avg	Min	Max	Avg	Min
Large-cap–1 yr	-13.6	-29.1	-43.4	-0.3	-14.1	-25.5
Large-cap–3 yr	3.3	-7.7	-14.3	10.6	0.7	-3.3
Large-cap–5 yr	7.7	-0.3	-4	7.2	2.3	-1.1
Mid-cap–1 yr	-7.9	-20.6	-34.1	-0.6	-12.3	-20.8
Mid-cap–3 yr	3.2	-8.5	-14.7	9.9	-0.6	-5.2
Mid-cap–5 yr	7.3	-0.4	-4.8	7.2	3.3	-1.8
Small-cap–1 yr	-3.6	-24.9	-39.7	6.3	-17.1	-34.8
Small-cap–3 yr	3.8	-14.2	-22.4	8	-3.9	-11.9
Small-cap–5 yr	7.7	-3.9	-13.1	9.6	2.4	-4.3

Data as on March 16, 2020 Source: mutualfundindia.com

'India's economic recovery to be protracted'

Corporate earnings are likely to remain subdued as the coronavirus pandemic has hit sentiment, says **JINESH GOPANI**, head of equity at Axis Mutual Fund. In an interview with **Ashley Coutinho**, he adds that companies that have rebuilt themselves amid adverse market conditions will be the likely winners of 2020. Edited excerpts:

Q&A
JINESH GOPANI
Head, equity, Axis MF

What do you make of the current correction in the market?

Globally, we have seen several market moulds breaking as a fallout of the coronavirus contagion. Concerns over a longer term demand collapse have threatened depression like conditions in many of the advanced economies. Macro analysts globally have rushed to cut growth estimates as well. Domestically, India has been relatively immune due to the limited linkages to global supply chains.

How expensive are we now in terms of valuations?

The fall since the beginning of the year has certainly helped valuations. Risk assets, in general, have seen an across-the-board selling by foreign investors in line with rest of the emerging market basket. From a valuations standpoint, India now trades close to 17 times its one-year forward price to earnings multiples, the lowest in two years.

What is your view on mid and small-cap stocks?

Mid- and small-caps have seen deep price corrections and are available at reasonable valuations. The market has differentiated between companies with earnings capabilities and those without. There is limited scope for catch up as valuations are largely similar for large, mid and small-caps at this juncture.

We are in a midst of a slowdown. What is your reading of the situation?

The recovery is likely to be protracted as the coronavirus jolt has impacted sentiment negatively. Fear of contraction has kept demand low, especially across the services sectors like airlines, hotels and events. A lookback at previous pandemic cases shows similar trends. The Indian economy is on a relatively stable footing as of now. The government is also proactively managing the situation. We should see green shoots sooner rather than later.

Your take on corporate earnings growth?

Corporate earnings have remained subdued as the excesses have been corrected. Companies which grew aggressively without factoring the business case have suffered. The NPA crises, commodity cycle and problems in telecom have all been results of poor business strategy. These are now slowly getting resolved. The bankruptcy code and debt resolution process have expedited recoveries to banks and financial creditors. The excess capex situation in metals & mining and basic materials space seems to be correcting itself. Telecom has seen rationalisation of revenues.

What is your view on banking and NBFC stocks?

With YES bank going into RBI administration, there is heightened uncertainty and pessimism. Banking is a business of trust, and if an institution loses that trust, it will become difficult to run. The large well-established names of the business continue to grow at a steady pace and are reasonably valued. These companies will remain beneficiaries of the India growth story.

COMMODITIES

PRICE CARD

As on March 17	International		Domestic	
	Price	%Chg#	Price	%Chg#
METALS ($/tonne)				
Aluminium	1,640.5	-6.5	1,885.5	-0.9
Copper	5,211.0	-15.6	5,845.1	-9.4
Zinc	1,932.0	-15.9	2,047.1	-21.5
Gold ($/ounce)	1,483.5*	0.5	1,664.1	0.0
Silver ($/ounce)	12.5*	-26.6	14.7	-24.1
ENERGY				
Crude Oil ($/bbl)	28.3*	-58.2	30.6	-54.0
Natural Gas ($/mmBtu)	1.8*	-22.8	1.8	-22.4
AGRI COMMODITIES ($/tonne)				
Wheat	179.8	-5.4	270.3	-10.2
Maize	178.9*	-3.4	219.4	-24.6
Sugar	340.6*	-3.4	464.9	-4.0
Palm oil	570.0	-20.8	942.8	-16.8
Cotton	1,308.9	-10.6	1,425.2	-10.3

* As on Mar 17, 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

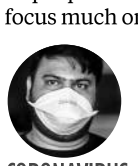
More room for gold smuggling at airports

Virus spread has led to checking being shifted from baggage to people

ADITI DIVEKAR & RAJESH BHAYANI
Mumbai, 17 March

Screening of passengers from overseas, owing to the coronavirus (COVID-19) outbreak, has shifted from baggage to people. This is leaving room for higher smuggling of gold through the luggage.

A Mumbai customs official said, "Customs officials are busy at ports and airports, scanning passengers to ensure that COVID-19 virus-affected people are traced. So, officials are not able to focus much on baggage checking."


CORONAVIRUS PANDEMIC

The official added: "This could lead to more gold getting smuggled into the country as luggage check at airports is now random unlike earlier where every bag was checked thoroughly."

Bullion market is quoting gold price at a discount to the cost of import. In the unofficial or the cash market, gold is quoting at a little higher discount following inflow of unofficial gold.

Sources said even as demand is much less, official imports for domestic market use has reduced sharply in this month so far. He, however, said that inflow of unofficial gold is rising in order to meet the demand.

Domestic market imports officially are expected at around 10 tonnes only, according to analysts.

Market sources said demand for gold is so low that consumers are not coming because of volatile prices. The current 'inauspicious period' of gold buying will continue for one more week.

As a result, the yellow is trading lower than its cost of import. Even on Tuesday morning in Mumbai, discount was 0.5 to 1 per cent. The discount has fallen with fall in prices. On Monday, discount was higher.

GOLD INFLOW

- Unofficial gold inflow expected to rise
- Customs attention diverted to passenger screening
- Little attention given to luggage
- Over 100 tonnes of yellow metal smuggled in 2019
- Inflow increased after the Budget
- Cash market gold trading at a discount
- Kolkata is a hub for illegal gold flow

Even those selling gold and silver against cash in the unofficial market are charging 3 per cent for GST. Later, these cash deals are brought on books by paying GST and showing them as cash sales.

However, sources maintained that the parallel cash market in Mumbai was quoting gold cheaper by 1-1.5 per cent than official prices on account of rising (unofficial) flows. Unofficial market discount is higher compared to cost of official imports.

A large chunk of unofficial gold was moving to smaller cities to escape the authorities' glare.

Commodity prices extend decline, led by silver

DILIP KUMAR JHA
Mumbai, 17 March

Commodity prices extended their decline on Tuesday amid volatility, after a sharp fall the previous day on concerns over global economic growth as the coronavirus (COVID-19) pandemic spread.

Base and precious metals fell on Multi Commodity Exchange (MCX) futures. The fall in metals was a little sharper on the London Metal Exchange (LME).

At Zaveri Bazaar here, silver fell four per cent to close at ₹35,145 a kg on Tuesday. Traders were not keen on deals and were offering a high spread to buyers. Many offered April delivery at the low price.

The spot price of silver has fallen 24.7 per cent in 2020 so far. On the MCX, gold futures for delivery in April declined by nearly two per cent to ₹38,743 per 10g in late afternoon trade. Silver futures for delivery in May dived 4.8 per cent to ₹34,470 a kg. Gold and silver have lost 15 per cent and 25 per cent, respectively, since Covid-19 was first reported in China during January.

MCX –FUTURE PRICE

	Unit	Mar 17, 2020	% Change*
BASE METAL			
Zinc	₹/kg	151	-1.6
Copper	₹/kg	408	-1.0
Lead	₹/kg	140	-0.9
Aluminium	₹/kg	137	-0.4
Nickel	₹/kg	890	-0.4
ENERGY			
Natural Gas	mmBtu	134	-1.8
Crude Oil	₹/bbl.	2153	-0.4
BULLION			
Silver	₹/kg	35,050	-3.2
Gold	₹/10 g	38,917	-1.5

*Change over previous day's close
Compiled by BS Research Bureau Source: Exchange, Bloomberg

"Global sentiment continued to remain weak for both equities and commodities, due to widening spread of Covid-19 and its casualties. As a result, volatility with a downside bias in commodities would continue," said Priyanka Jhaveri, assistant vice-president at Kotak Securities.

Both spot and futures prices declined in the afternoon session, which continued towards the end of the day. "Traders liquidated their holdings in diversified asset classes like gold and silver to pay margins in stocks," said Kishore Narne, associate director, Motilal Oswal Financial Services.

The volatility in gold and silver yielded a record turnover on Monday in bullion on the MCX, of ₹35,112 crore across bullion. All leading metals, barring nickel, declined 1-1.5 per cent on the LME.

In jewellery stores, customer footfall is down 60-70 per cent, due to official advice on not visiting crowded places.

Anuj Gupta, deputy vice-president at Angel Broking, says: "In the current scenario and high volatility, we are not recommending to buy gold, as it is entering a bear zone. We are expecting correction in gold towards $1,380 to $1,350 (an oz) in comexes and ₹38,000 to ₹36,500 per 10g in domestic markets. Silver is also expected to fall and might test $11-11.5 in comexes and ₹32,000 to ₹30,000 in domestic markets."

Sugar supply chain, global prices hit

The coronavirus (COVID-19) pandemic, which continues to hurt the global economy, has cast its shadow on the domestic sugar supply chain, with offtake from mills falling over the last fortnight. Even the international sugar price has corrected — from $15 per pound to below $12.

According to the Indian Sugar Mills Association (ISMA), the outbreak has pulled sugar offtake from mills over the last 15 days. The sugar stock in the wholesale and retail markets is understood to have been sold in the last couple of weeks.

According to market watchers, fresh sugar procurement from mills would start soon since the supply chain has largely dried up during the last couple of weeks. This should help control sugar prices. The ISMA stated the current "unprecedented" situation has affected the sugar price globally, although the impact could be temporary and there have been indications of fresh export opportunities in Indonesia. VIRENDRA SINGH RAWAT

India cases rise to 137; death toll 3

AGENCIES
New Delhi, 17 March

India on Tuesday reported its third coronavirus fatality with a 63-year-old dying in Mumbai, Health Ministry officials said, as the number of positive cases rose sharply to at least 137 and more parts of the country faced restrictions in a bid to stem the spread of infection.

The government, which on Monday banned the entry of passengers from EU countries, Turkey and the UK from March 18 till March 31, also closed its doors to those from Afghanistan, the Philippines and Malaysia with immediate effect, according to an additional travel advisory.

An 18-year-old man, who recently returned from England, tested positive for novel coronavirus on Tuesday, making it the first confirmed case in West Bengal, a senior official of the state government said.

He started showing symptoms of COVID-19 since morning, following which he was admitted to the isolation ward of the Beliaghata ID hospital here, they said.

The man, who had gone to the UK for higher studies, had returned on Sunday.

Unheard of till just a few days ago, 'social distancing' was the buzz-term as public spaces, including monuments such as the Taj Mahal, shut down and many thousands of people prepared to spend the next few days confined to home, working or studying online.

Railways cancels 85 trains; platform ticket prices hiked

Railways has cancelled 85 trains as precaution against the spread of coronavirus and due to low occupancy, officials said on Tuesday. It has also issued a set of guidelines to zonal railways for its catering staff stating no employee having fever, cough, runny nose or difficulty in breathing "should be deployed in the business of food handling on Indian Railways". All railway zones have been advised to hike the platform tickets from ₹10 to ₹50 in a bid to discourage gathering of large crowds in view of the coronavirus, a senior official of railways said on Tuesday. PTI

The Mumbai patient with a travel history to Dubai is the first COVID-19 death in Maharashtra, which has the most number of coronavirus cases at 39, officials said.

Earlier, a 76-year-old man from Kalaburagi in Karnataka with a travel history to Saudi Arabia and a 68-year-old woman in Delhi died after they tested positive for the infection that according to Johns Hopkins University has infected 1,82,000 people and claimed over 7,100 lives globally.

The Maharashtra patient, whose wife also tested positive and is stable, was in a private hospital for five days and subsequently referred to Mumbai's Kasturba Hospital, officials said. He reportedly did not disclose his travel history when he was admitted to the private hospital.

Maharashtra Health Minister Rajesh Tope said the exact cause behind his death is being ascertained as he was also suffering from various ailments.

Among the new cases are two people from the suburb of Noida bordering the national capital. One recently returned from France and is already in isolation. The other has also been quarantined, Chief Medical Officer Anurag Bhargava said.

In Bengaluru, two more persons tested positive for COVID-19 late Monday night.

Both are admitted to a designated isolation hospital.

One is a 20-year-old woman who travelled from the UK and the other a 60-year-old "contact" of the 76-year-old man from Kalaburagi who became the country's first coronavirus casualty last week, officials said.

The Union ministry did not immediately add the figures to its national count.

According to ministry data, 14 people have been discharged so far, including the three Kerala patients who were discharged last month following their recovery from the contagious infection with flu-like symptoms.

Govt orders thermal screening and fewer visitors at its offices

ANUP ROY
Mumbai, 17 March

With the possibility of coronavirus (COVID-19) spreading in the community, the central government on Tuesday issued preventive measures for its employees, offices and departments across the country.

Among them are suspension of visitor and temporary passes. Also, departments and ministries have been told to discourage the entry of visitors into its office complexes.

"Only those visitors who have proper permission of officers they want to meet should be allowed after being properly screened," said an office memorandum from the ministry of personnel.

The central ministries and departments were also advised to install thermal scanners and place hand sanitisers at the entry points of government buildings.

Thermal screening of BSF personnel being conducted in Jammu PHOTO: PTI

They have been further instructed to schedule meetings through video conferencing and avoid parleys involving large number of people.

"Avoid non-essential official travel. Undertake essential correspondence on official email and avoid sending (physical) files and documents to other offices, to the extent possible," said the memorandum.

It also 'advised' closing of gyms, creches, recreational centres in government buildings as well as ensuring regular cleaning of workplaces. Leaves should be granted to those wanting to self-quarantine.

According to an official briefing by the Centre on Tuesday, the number of cases in India rose to at least 137 (reports of more active cases were trickling in at the time of going to press) with three deaths.

On Wednesday, the Indian Council of Medical Research (ICMR) is expected to come out with a report on random samples it has collected of people who displayed flu-like symptoms. This report will determine whether India is witnessing community transmission. Some departments and ministries immediately started implementing the guidelines of the Centre.

The gate of Rail Bhawan saw a long queue on Tuesday as staff members and visitors had to get cleared by thermal scanners to gain entry. In fact, officials were asked to cut the number of visitors and suspend the routine issue of temporary passes with immediate effect.

On the other hand, no testing infrastructure or personnel are in place for two major government buildings hosting many major ministries. Multiple officials confirmed that till Tuesday evening, no screening has been done yet for the thousands of officials working in the sprawling complexes of Udyog Bhawan and Shastri Bhawan.

"We had expected some form of basic testing while entering the premises for the past 3-4 days, but there has been none so far," said a joint secretary-level officer based out of Udyog Bhawan.

The building is home to major ministries, including commerce and industry, textiles and MSME. It also houses scores of associated offices such as the Directorate General of Foreign Trade and Handloom Development Commissioner.

Across Rajpath, the more chaotic Shastri Bhawan continues to be open to all valid visitors. The building houses the ministries of human resource development, law & justice, information & broadcasting, corporate affairs and chemicals and fertilisers, among others. Meanwhile, the Enforcement Directorate (ED) has asked one of its officials to be quarantined at home in view of coronavirus pandemic.

Ayushman Bharat gets ready for corona cover

Flagship scheme data being tracked to spot unusual patterns

NIVEDITA MOOKERJI
New Delhi, 17 March

The National Health Authority is on a war footing to ready a COVID-19 special package under the government's flagship Ayushman Bharat-PMJAY scheme as the number of coronavirus cases continue to rise and many states go for a lockdown. NHA chief executive Indu Bhushan told *Business Standard* that this is among the steps being taken by the Authority just in case there's a need.

Specific coronavirus-related plans for isolation wards are being finetuned, after which it would be reviewed by the Indian Council of Medical Research (ICMR) in terms of protocol. It will have to be approved by the NHA's governing board after that. Officials pointed out that such a package would be needed if coronavirus spreads to the community level.

Currently, the Ayushman-PMJAY scheme, which does not deal with preventive healthcare cover, offers hospitalisation packages for intensive care units, high-dependency units and normal wards. There's no provision for isolation wards under the universal health assurance scheme, which caters to underprivileged citizens with an annual cover of ₹5 lakh per family. Since isolation wards, a necessity for patients infected with the virus, will be like private wards, the cost, to be borne by PMJAY, will be significantly higher.

NHA is also keeping a close watch on its live data as well as on the call centre details that the Ayushman scheme sits on to detect any unusual pattern. The measure is expected to help in minimising the impact of coronavirus in India, Bhushan said.

THE SCORECARD

124 mn
E-cards issued (PMJAY cards: 77 mn, state cards: 47 mn)

9.2 mn
Hospital admission

19,753
Hospital empanelled

Source: Ayushman Bharat-PMJAY; the figures are since the launch of the scheme in September 2018

Officials monitoring the data at Ayushman are looking for unusual spikes in influenza like illness (ILI) and severe acute respiratory infections (SARI). If there's any abnormal increase, this has to be reported to ICMR to ensure there's no outbreak. Officials said that this data would not be shared without proper vetting.

Similarly, PMJAY officials are sifting through the data from call centres carefully. If the number of calls for any district goes up extraordinarily, the trend would be captured for further analysis of whether this has any relation to COVID-19. According to an official, a spike was found recently in flu cases in southern Tripura, bordering Bangladesh. "The data is being closely watched," he said.

"We are preparing ourselves in case there's a spread. That includes ensuring private sector facility to support treatment of COVID-19 cases," Bhushan pointed out. The NHA is assessing the capacity and readiness of private hospitals on this.

In addition, NHA and ICMR are in talks to allow testing for coronavirus by authorised Ayushman centres, while trying to ensure that the disease does not spread any further in the country.

Even as Ayushman Bharat had not played a proactive role in the corona warfare so far, things may change depending on how long the virus lasts.