

21 ECONOMY

GOLD	RUPEE	OIL	SILVER
₹40,241	₹74.26	\$30.16	₹35,948

*Indian basket as on March 17, 2020

SENSEX: 28,869.51 ▼ 1709.58 NIFTY: 8,468.80 ▼ 498.25 NIKKEI: 16,726.55 ▼ 284.98 HANG SENG: 22,291.82 ▼ 971.91 FTSE: 5,029.85 ▼ 265.05 DAX: 8,452.75 ▼ 486.35

*International market data till 1900 IST

INDEX SWINGS 2,489 PTS INTRA-DAY TO CLOSE SESSION AT 28,869 — DOWN 1,709 PTS

Sell-off continues: Sensex plunges to 3-year low

ENSECONOMIC BUREAU
MUMBAI, MARCH 18

BEARS TIGHTENED their grip on stock markets sending the Sensex crashing below the 29,000-level and the Nifty50 plunging by almost 500 points on Wednesday as the coronavirus pandemic raised worries over a major global economic slowdown. Standard & Poor's move to lower India's growth forecast and the Supreme Court's refusal to provide relief to telecom firms on the AGR issue further hit sentiment.

The 30-share Sensex, which swung 2,489 points intra-day, closed 1,709.58 points, or 5.59 per cent, lower at 28,869.51 — well below the three-year low mark. The Sensex has closed below the 29,000-mark for the first time

EXPLAINED

Banking, financial scrips hit the most

MARKETS WITNESSED tremendous selling pressure in continuation of the prevailing corrective phase. It opened with an uptick but a sharp fall in the index majors wiped out all the gains and pushed the benchmark lower in no time.

The global mayhem combined rising coronavirus cases in India triggered the initial fall, which further worsened with the Supreme Court's stance on AGR dues. The fall was widespread but it was banking and financial pack which was hammered badly.

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Earlier in the day, S&P Global Ratings lowered India's economic growth forecast to 5.2 per cent for 2020, saying the global economy is entering a recession amid the

coronavirus pandemic. The agency had earlier projected a growth rate of 5.7 per cent during the 2020 calendar year.

Banking and telecom stocks came under heavy selling pressure after the Supreme Court pulled up telecom companies for doing self-assessment of the Adjusted Gross Revenue (AGR) dues fixed by the apex court in its verdict on October 24 last year.

"Indian markets ended at 3-year lows, with the Nifty below the 8,500 mark, in tandem with Asian and European markets after agencies warned of a global recession following the impact of COVID-19. At the same time, rising infections in India and associated disruption in businesses led to India's GDP growth forecasts also being downgraded," said Vinod Nair, head of research at

Gojrit Financial Services.

Markets witnessed tremendous selling pressure in continuation of the prevailing corrective phase. It opened with an uptick but a sharp fall in the index majors wiped out all the gains and pushed the benchmark lower in no time. "The global mayhem combined with rising coronavirus cases in India triggered the initial fall, which further worsened with the Supreme Court's stance on AGR dues. The fall was widespread but it was banking and financial pack which was hammered badly," said Ajit Mishra, VP-research, Religare Broking Ltd.

"This will also affect the government's fiscal maths, which was already tight. Additionally, with the Supreme Court not providing any respite to telecom players, the banking stocks which have expo-

sure to the telecom sector were most impacted today. Nifty bank Index fell by around 7 per cent," Nair said.

Joseph Thomas, head of research, Emkay Wealth Management said, "The frontline indices were down by close to 5.5 per cent in a market hit by the likely adverse impact of the pandemic. This is at a time when it was negotiating a critical juncture in the already existing economic sluggishness. Markets will continue to mirror the developments overseas till some comfort on the spread of the pandemic is received. It is too early to say when the feeling that the asset prices are lower than their intrinsic value would start coming in." The pressure in the banking space has raised fresh concerns, which might cascade in the following sessions, too.

Health policies to cover coronavirus-related illnesses on the cards

GEORGE MATHEW & SUNNY VERMA
MUMBAI/NEW DELHI, MARCH 18

WITH CORONAVIRUS (COVID-19) spreading, insurance companies are toying with the idea of launching coronavirus-specific cover as proposed by the Insurance Regulatory and Development Authority of India (IRDAI).

While insurance industry sources said most health policies cover coronavirus-related hospitalisation claims, provided hospitalisation is for more than 24 hours, there could be a case for a specific cover to tackle the disease as the World Health Organization (WHO) has declared the virus attack as a pandemic. Earlier this month, the regulator asked insurance companies to design products covering the costs of treatment for COVID-19 in the country.

"We are currently working on a new health product that will cover COVID-19 related illnesses, as per IRDAI guidelines," said Subrata Mondal, executive vice president, IFFCO-Tokio General Insurance Co Ltd. Currently, insurers have not come out with any specific plan to cover the coronavirus anywhere in the world, including developed markets.

Pankaj Verma, head-market underwriting operation, SBI General Insurance, said: "Our standard health policy is capable to take care of coronavirus coverage. As of now we are evaluating if there is any requirement for a corona specific cover. If the need arises, we will look at bringing out a specific product to address such diseases as appropriate." However, industry sources are not ruling out changes in premium being charged on policies, if the disease spreads across India.

"IRDAI has issued instructions in early March asking companies to provide for cover to those affected by coronavirus and those who are hospitalised. So far, all insurance companies on our panel are providing cover for such claims even though it has been labelled as a pandemic," said an official with Medi Assist Insurance TPA Pvt Ltd.

Industry sources said life insurance policies will cover claims for death caused by coronavirus. "If the life insurance policy of our customers covers death as an insured

50% fall in travel insurance policies

Mumbai: The global impact of the coronavirus pandemic has hit the travel insurance business, with Indian insurers suffering a 50 per cent fall in travel insurance policies.

"We have witnessed a 50 per cent decline in travel insurance business. This is because people have cancelled their travel plans and airlines across the world have cut down the number of flights. There's a big fall in travellers to Europe and US," said an official of an insurance firm. In case of overseas insurance, companies are proving cover for OPD and hospitalisation expenses for customers infected abroad. **ENS**

event, we will be honoring the death claims irrespective of the cause of death being coronavirus," said Bajaj Allianz Life chief of customer service & operations Kayzad Hiramaneek.

The regulator on its part is keen that insurers should settle claims, including the quarantine period as per the policy contract. "The costs of admissible medical expenses during the course of treatment including the treatment during quarantine period has to be settled in accordance to the applicable terms and conditions of policy contract and the extant regulatory framework," IRDAI said in its March 4 circular, while advising insurers to design products covering costs of treatment for coronavirus.

However, in cases, where policies explicitly exclude coverage for epidemics or pandemics, the insurance companies may deny providing benefits to customers. "Most policies in India do cover pandemics and epidemics," insurance officials said.

Health insurance is one of the fastest growing segments of the industry. During FY 2017-18, insurance companies collected Rs 37,029 crore as health insurance premium registering a growth of 21.8 per cent over the previous year. Five states — Maharashtra, Tamil Nadu, Karnataka, Delhi UT and Gujarat — contributed 68 per cent of total health insurance premium, IRDAI said.

US crude hits 18-year low, Wall Street slumps

REUTERS
LONDON, MARCH 18

OIL PRICES fell for a third session on Wednesday with US crude futures tumbling to an 18-year low as travel and social lockdowns sparked by the epidemic knocked the outlook for demand.

US crude was down \$2.51 cents, or over 9 per cent, at \$24.44 per barrel by 1219 GMT, having earlier fallen to \$24.42, its lowest since mid-2002.

Brent crude was trading down \$1.39, or nearly 5 per cent, at \$27.34 a barrel, after dropping to \$27.31, its lowest since early 2016.

Wall Street resumed a steep



A notice in an Iceland store window in Northwich. Reuters

slide on Wednesday while bond markets rushed to price in the sheer scale of government support programmes and handouts announced over the past 24 hours, all aimed at softening the economic shock of coronavirus.

Wall Street's main indices

slumped at the open as growing signs of coronavirus damage to corporate US saw Tuesday's sugar high over sweeping official moves to protect the economy fade fast.

The Dow Jones Industrial Average fell 1,048.69 points or nearly 5 per cent at the open to 20,188.69, while the S&P 500 opened lower by 92.69 points, or 3.7 per cent at 2,436.50. The Nasdaq Composite dropped 432.47 points or nearly 6 per cent.

The British pound plunged to its lowest levels in over three decades on Wednesday barring a flash crash in October 2016. Against the dollar, the pound plunged 1.7 per cent to \$1.1852, its lowest level since October 2016.

Airlines look to cut costs as virus hits biz; suspend foreign ops, reduce allowances

PRANAV MUKUL
NEW DELHI, MARCH 18

WITH THE COVID-19 disease continuing to spread across India, airlines in the country are starting to feel the heat from the plummeting demand for flights. To this extent, several airlines have initiated cost-reduction measures to maintain cash-flows at a time when their cash-generators — airplanes — remain grounded. These measures include suspending international operations, reducing allowances for staff, and asking them to take leaves without pay.

"As a result of the significant reduction in flying, Indian carriers may initially ground around 150 aircraft (including almost all of the international fleet), with this number expected to increase as more domestic operations are curtailed over the coming weeks. If the decline in traffic continues to be severe, the majority of the fleet could be grounded by April," CAPA said. "By extension, the reduced

scale of operations could impact the requirement for around 30 per cent of airline staff and up to 50 per cent of ground handling staff. For first couple of months this could potentially be handled through mandatory leave and leave-without-pay initiatives for 1-2 months. But should the situation continue beyond a few weeks, it will quickly result in short-term retrenchment — with the prospect of re-employment once the situation improves. And an extended downturn will inevitably lead to significant redundancies," it added.

On Tuesday, Air India announced cost-reduction measures withdrawing entertainment allowance to executive pilots, in addition to cutting layover allowances for cabin crew. In addition, it has temporarily reduced the fuel reimbursement deduction for all its officers by 10%. Air India has cancelled several of its flights to destinations including China, Europe, West Asia and Southeast Asia.

Vistara on Wednesday announced that it will suspend its international operations from March 20 to March 31, in addition to temporarily adjusting its domestic capacity for March and April in view of reduced demand. GoAir, which has also suspended its international flights till April 15, has initiated a temporary rotational leave-without-pay programme to help the company counter the short term reduction in capacity, while ensuring that only a cross section of the employees stay away from the workplace, so it could ensure business continuity.

In line with global examples, sector experts have batted for sops from the government to aid the sector. "What Indian government can do to help airlines: 1. Pass on crude oil price reductions immediately 2. Reduce or defer taxes 3. Make loans or credit lines available 4. Defer payments for fuel and aeronautical charges 5. Suspend route dispersal guidelines (RDG) or allow RDG pooling," said Sanjiv Kapoor, former chief strategy and commercial officer, Vistara.

Trump presses for \$1 trillion stimulus package

REUTERS
WASHINGTON, MARCH 18

THE TRUMP administration pressed on Tuesday for enactment of a \$1 trillion stimulus package, possibly to include \$1,000 direct payments to individual Americans, to blunt the economic pain from a coronavirus outbreak that has killed over 100 people in the country.

With cases of the respiratory illness reported in all 50 states and the total number of known US infections surging past 6,400, millions of Americans hunkered down at home instead of commuting to work or going to school.

New York Mayor Bill de Blasio said he was weighing whether to order the city's 8.5 million residents to "shelter in place" at home, as state and local officials escalated "social distancing" policies by closing schools, restaurants and theaters to curb the spread of the virus.

'RBI may cut key rates'

Fitch Solutions said it expects the Reserve Bank of India to cut key interest rates by 175 basis points during the fiscal year starting April 1

5.4%: India's real GDP growth will pick up slightly to 5.4 per cent in 2020-21, from the earlier estimate of 4.9 per cent in the current fiscal

REASON
The fall is due to sharp fall in global oil prices from about \$50 per barrel to about \$30 due to a price war between Russia and Saudi Arabia



Outlook: The RBI is likely to implement steep monetary easing as soon as possible over the coming meetings to support growth

Source: Fitch Solutions/PTI

Virus cases to surge: Fitch Solutions said the number of coronavirus cases in India is likely to surge given the high population density in its cities and poor healthcare access

WhatsApp launches virus info hub

ENSECONOMIC BUREAU
NEW DELHI, MARCH 18

WHATSAPP HAS announced a dedicated coronavirus information hub, which will be in partnership with the World Health Organization (WHO), United Nations Children's Fund (UNICEF) and United Nations Development Programme (UNDP).

The company has also announced a \$1-million donation to the Poynter Institute's International Fact-Checking Network (IFCN).

"We wanted to provide a simple resource that can help connect people at this time... We will also continue to work directly with

health ministries around the world for them to provide updates right within WhatsApp," Will Cathcart, head of WhatsApp said in a statement.

What is the WhatsApp Coronavirus Information Hub?

The WhatsApp coronavirus information hub will be available at whatsapp.com/coronavirus and will give "simple, actionable guidance for health workers, educators, community leaders, nonprofits, local governments and local businesses" who are using the app to stay in touch with their friends and family.

The website will offer "general tips and resources for users around the world to reduce the

spread of rumours and connect with accurate health information." The hub asks people to use trusted sources such WHO's website or rely on the official websites of their national health ministry.

The website also asks users to think before forwarding messages on the topic of coronavirus. It asks users to verify the facts with other trusted official sources or fact checkers and to not forward message if they are not sure about the veracity.

The recommendations in the hub will show how groups can make the most of WhatsApp features. Information will be distributed by UNDP to those coordinating local efforts to contain the spread of the virus and spread awareness about the pandemic.

FIGHTING COVID-19

Emirates staff to take unpaid leave

Dubai/Manila: Emirates is asking pilots and crew to take unpaid leave and rival Qatar Airways laid off about 200 staff in Doha this week. **REUTERS**

ADB announces \$6.5 bn package

New Delhi: The Asian Development Bank (ADB) on Wednesday announced a \$6.5 billion package for its developing member countries to fight the pandemic. **PTI**

'25 million may become jobless'

Geneva: The pandemic will increase global unemployment, leaving up to 25 million more people out of work, the United Nations said. It added workers globally stood to lose up to \$3.4 trillion in income this year. **AFP**

Canada sets out \$56.4 bn package

Toronto: The Canadian government on Wednesday announced a \$56.4 billion aid package to tackle the virus. **AP**

Take into account impact of disruptions caused by virus while auditing: ICAI

KARUNJIT SINGH
NEW DELHI, MARCH 18

ACCOUNTING AND auditing regulator — the Institute of Chartered Accountants of India (ICAI) — is set to come out with an advisory note for its members to take into account the impact of the coronavirus while preparing or auditing financial statements. The president of the ICAI, Atul Kumar Gupta, said it was necessary that auditors paid special attention to the impact of coronavirus on businesses.

The novel coronavirus, which has infected over 2,00,000 peo-

ple and led to the death of over 8,000 people globally is expected to have a strong negative impact on GDP growth in the country especially the tourism, aviation, hospitality and trade. There have been three deaths and a total of 134 confirmed cases of COVID-19 in India as of Wednesday, according to the Health Ministry.

"We will be coming out with an advisory note to members, on taking into account the impact of the disruptions caused by the coronavirus outbreak," Gupta told *The Indian Express*.

"It may be the case that an exporter of a perishable goods is not able to export these goods," said

Gupta adding that it is important that the net realisable value of such stock is reflected accurately in the books of a company.

Gupta also said that some companies may also have to create contingent liabilities on their books for failure to meet obligations under a contract and that auditors need to ensure that such liabilities are reflected in the company's balance sheet.

Gupta said the coronavirus had negatively impacted many businesses and that it was important that this be reflected in their financial statements to give a true and fair view of companies.