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THE MARKETS ON THURSDAY		Chg#
Sensex	28,288.2▼	581.3
Nifty	8,263.5▼	205.3
Nifty futures*	8,205.9▼	57.5
Dollar	₹75.0	₹74.2**
Euro	₹80.6	₹81.5**
Brent crude ($/bbl)##	25.6##	24.6**
Gold (10 gm)###	₹40,334.0▼	₹41.0

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

SEPARATE 132-PAGE MAGAZINE
CELEBRATING SUCCESS STORIES OF INDIA INC

BACK PAGE P14
US FAST-TRACKING ANTI-MALARIAL DRUG TO TREAT CORONAVIRUS

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COVID-19: PM URGES *JANATA* CURFEW ON SUNDAY

FM-led economic task force to meet today

ARCHIS MOHAN
New Delhi, 19 March

Prime Minister Narendra Modi on Thursday announced the setting up of a COVID-19 economic response task force, to be headed by Finance Minister Nirmala Sitharaman, to gauge the economic impact of the pandemic and take suitable steps.

Sitharaman later tweeted she would meet the ministers of animal husbandry, dairy and fisheries; civil aviation; tourism; and micro, small and medium enterprises at her office between 3 and 7 pm on Friday. She said the meeting would "take feedback and assess the economic impact" of COVID-19.

The PM, in his address to the nation, appealed to people to practise social distancing and avoid public spaces. As a test case to prepare for future challenges, he asked them to observe a *janata* curfew — a self-imposed curfew —"of, for and by the people" from 7 am to 9 pm on Sunday.

Modi asked people not to resort to "panic buying" of eatables, adding that it would be ensured there was no scarcity of milk, eatables, and medicines.

In his nearly half-an-hour speech, Modi said the pandemic had already deeply hurt the economic interests of the middle class, the lower middle class, and the poor. He asked those running businesses, and also those in high-income groups, to protect the interests of people who provided them with services, and not cut their wages and salaries even if they did not come to work.

The PM said it was also time that people acknowledged the work done in the last two months by millions of doctors, nurses, hospital workers, airport staff, police personnel, railway employees, auto-rickshaw drivers, and even home-delivery people. Describing them as *rashtra rakshak*, or protectors of the nation, he said these people had stood "between the corona disease and us". He said the country was thankful to these people, and requested people to show their gratitude for them at 5 pm on Sunday by standing on their doorstep or in their balconies and clap or beat a *thali*, while civic authorities could blare sirens.

The PM said it was time to exercise *sankalp aur sainyam* — resolve and restraint — to fight the challenge of coronavirus. Turn to Page 13

NARENDRA MODI
Prime Minister

"I REQUEST ALL PEOPLE IN THE COUNTRY TO GET OUT OF HOUSE ONLY WHEN IT IS EXTREMELY NECESSARY; TRY AND DO ALL WORK FROM HOME"

"EVEN WORLD WAR I AND II DID NOT AFFECT AS MANY COUNTRIES AS CORONAVIRUS HAS DONE... AVOID THIS MINDSET THAT IT WILL NOT AFFECT INDIA"

WHAT THE TASK FORCE MAY CONSIDER...

NPA norms may be relaxed, tax deferment likely

ARUP ROYCHOUDHURY
New Delhi, 19 March

As the Indian economy reels from the impact of the coronavirus pandemic, the Narendra Modi government is drawing up a relief package for industry. The relaxation of asset-classification norms by banks, thus allowing companies to delay the repayment of loans, and tax holidays for the worst-hit sectors like aviation and hospitality are expected to be part of the package, *Business Standard* has learnt.

These measures could be discussed by the COVID-19 Economic Response Task Force, announced by the Prime Minister. The task force is also expected to announce sector-specific measures in the coming weeks, government sources said.

"There have been discussions at multiple stages, between various ministries and with regulators such as the Reserve Bank of India. Sectoral ministries are giving their suggestions," said a senior government official. The final details were being worked out, the person said.

"One plan being strongly considered is loan forbearance. For a specific period, companies will be exempt from the repayment of loans, and banks will relax their asset-classification norms," said the official.

According to the current norms, if a debt is not serviced for 90 days, it is classified as a non-performing asset. After the proposed relaxation, banks will not be classifying outstanding loans as NPAs. Turn to Page 13

Unemployment sops to affected workers on cards

SOMESH JHA
New Delhi, 19 March

Under the scheme, organised sector workers who become unemployed get compensation in the form of cash up to three months of unemployment

The Union government is planning to give unemployment benefits to a section of organised workers who may lose their jobs due to the coronavirus pandemic. This will be along the lines of measures taken by some countries such as the United States to combat the impact of the pandemic, also known as COVID-19, on the working population.

The government's 'Atal Beema Vyakti Kalyan Yojana', which provides unemployment insurance to workers who have subscribed to the Employees' State Insurance (ESI) scheme, will cover such workers during the pandemic. The ESI is a self-financing health insurance scheme for formal sector workers in India managed by the Employees State Insurance Corporation (ESIC).

Under the scheme, which has been operational since July 2018, workers who become unemployed get compensation in the form of cash up to three months of unemployment. But this can be availed only once in a lifetime. Turn to Page 13

All international flights banned from Sunday

ANEESH PHADNIS
Mumbai, 19 March

With one more death due to coronavirus having been reported, taking the toll to four, and the number of cases increasing, the government Thursday announced a week-long closure of all scheduled international flights to and from India to prevent the spread of COVID-19. The restrictions will be in place from March 22 to 29.

The number of cases detected rose to 173, with 20 fresh ones reported in the past 24 hours, mostly affecting people with a history of international travel. The fourth death was reported in Punjab. An Indian died of coronavirus in Iran.

The health ministry also advised, and asked state governments to issue instructions to the same effect, all citizens above 65 and children below 10 to stay at home. The exceptions in the case of senior citizens are public representatives, government servants, and medical professionals.

CORONA EFFECT
PAGES 2, 4, 6 & 14

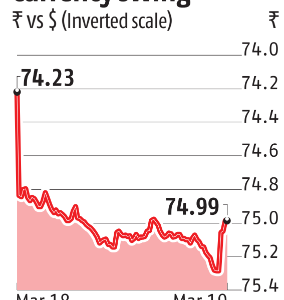
The Railways has decided to suspend concessional tickets except for patients, students, and those in the Divyangjan category from the night of March 20-21 till further notice. India sees over 300 international flights each day but the numbers have been shrinking by the day because of travel bans. All passenger traffic from Malaysia, the Philippines, Europe, and Turkey has been suspended in the past two days. But flights to the US, Canada, Hong Kong, Singapore, Africa, and West Asia remain operational. These too will be suspended for a week beginning Sunday.

Non-scheduled and ferry flights will be allowed case by case. A few European countries have sought permission to operate relief flights to transport their citizens home.

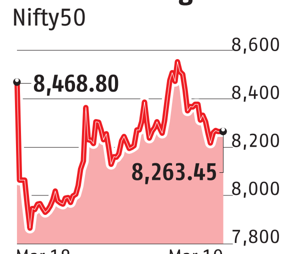
According to an order of the Directorate General of Civil Aviation, no international scheduled passenger flight will be allowed to take off after 5.30 am on Sunday. Turn to Page 13

TURBULENT TIMES

Currency swing
₹ vs $ (Inverted scale)



Volatile trading
Nifty50

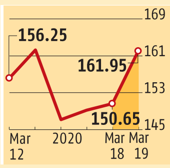


Source: Exchange/Bloomberg

FULL REPORTS ON P10

STOCKS IN THE NEWS

ITC

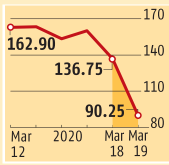


Fixes dividend payout for shareholders at 80-85% of profit after tax

₹161.95 CLOSE

▲ 7.50% UP*

Indiabulls Housing Finance

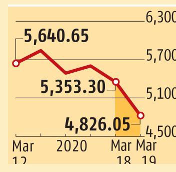


Top loser among the A group stocks

₹90.25 CLOSE

▼ 34.00% DOWN*

Maruti Suzuki India

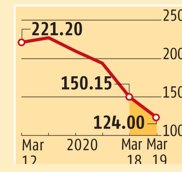


Spread of COVID-19 would negatively impact auto industry

₹ 4,826.05 CLOSE

▼ 9.85% DOWN*

Bharti Infratel

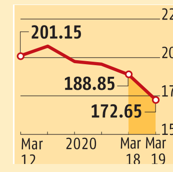


Slips 36% in two days after Supreme Court verdict on AGR dues

₹124.00 CLOSE

▼ 17.42% DOWN*

Emami



Approves share buyback at maximum price ₹300 per share via open mkt

₹172.65 CLOSE

▼ 8.58% DOWN*

*OVER PREVIOUS CLOSE

INDIA INC ACTIONS

HCL initiates contingency plan as Noida staffer tests positive

After an employee of HCL Technology tested positive for COVID-19 in Noida, the company has invoked a contingency plan in all geographies, which aims at maximising work-from-home to aid social distancing. The firm said it had also issued a travel advisory for staff to take precautionary measures and suspended all non-essential travel until further notice. "We have launched a global helpline that provides 24X7 support to our employees," HCL said. "Unfortunately, one employee from our Noida office tested positive while in self-isolation after coming back from abroad. All prescribed protocols of sanitisation and contact tracing have been done. All other employees are in good health and are being monitored continuously."

NEHA ALAWADHI

Work-from-home at Reliance till Mar 31; some biz to be open

Reliance Industries, has initiated work-from-home for its staff till March 31, while keeping open consumer-facing businesses of hospital, retail stores and telecom with a minimum workforce. Chairman and Managing Director Mukesh Ambani will hold a meeting almost every third day to take stock of the impact of the coronavirus outbreak on his employees and business, officials said. A spokesperson said: "Considering the public requirements in such an unprecedented situation, RIL will continue to provide all essential services to the citizens and will keep open its main retail grocery stores, its telecom connectivity services, the hospital and any other essential services required for public or business continuity."

PTI

ArcelorMittal to cut production at European units

ArcelorMittal said on Thursday it planned to cut production in Europe. "Given the extent of the outbreak and the impact it is having on several European countries in which ArcelorMittal operates, the company is taking steps to reduce production to ensure the wellbeing of employees and that production is aligned with demand," the company said.

PTI

JSPL begins plan to safeguard workers at plants, offices

Jindal Steel and Power (JSPL) said several arrangements have been made at its plants and offices across India and abroad to protect employees amid the coronavirus outbreak. It has been ensured that each employee is screened for body temperature, and hand sanitisers and masks have been made available at all offices and facilities, the company said.

PTI

HOME DRIVE

- Honda, Toyota set up teams to monitor situation and come up with countermeasures
- Ford, Volvo ask employees in India, except those in business-critical roles, to work from home
- FCA India has permitted over 50% of its staff in Mumbai and Pune to work from home till March 31
- Mahindra forms group-level rapid action force to monitor the situation and suggest swift actions

Airlines start grounding aircraft

IndiGo chief executive says he will take a pay cut of 25 per cent

ARINDAM MAJUMDER
New Delhi, 19 March

Indian airlines are cutting shifts, laying off people and announcing steep pay cuts as the global aviation industry flies through the worst turbulence it ever faced.

Almost all airlines have drastically cut operations, grounded aircraft as net bookings fall into negative — meaning there are more cancellations than fresh bookings on domestic routes. As the impact of the crisis unfolds, the civil aviation ministry huddled into a seven-hour marathon meeting with chief financial officers of airlines and airports to finalise a relief package.

Government officials said key stimulus will be a tax break on jet fuel, waiver of parking and landing charges at airports for the next six months and deferment of payment to oil companies by three months. According to a *Reuters* report, India is planning a rescue package worth as much as $1.6 billion for the aviation sector.

The largest Indian airline IndiGo, which has 47 per cent market share, announced a steep pay cut for its senior management, pilots and crews. Government-owned airline Air India's officials said that they were working on a cost saving plan, which will see employee salary reduction by 5 per cent. On Tuesday, GoAir had also initiated a short-term rotational leave-without-pay programme. GoAir is also terminating contracts of expat pilots.

"I am afraid that the impact of coronavirus on the industry has been particularly severe. With the precipitous dip in revenues, the very survival of the industry is now at stake. We need to ensure that we don't run out of cash," IndiGo Chief Executive Ronojoy Dutta wrote to his employees on Thursday, adding he would take a pay cut of 25 per cent.

Coincidentally, Dutta was the president of United Airlines when terrorists crashed one of its aircraft into the World Trade Centre, which had resulted in a long phase of slowdown for the airline industry.

IndiGo's eight senior vice-presidents will also take a 20 per cent pay cut while vice-president and pilots will see a reduction of 10 per cent in their salary. "It's better to take less salary than zero salary. If this situation continues for four weeks, we all are finished," said a pilot of a domestic airline who normally flew six sectors daily but was asked to operate only one sector as airlines cut their flights.

Sources said Indian airlines together have already grounded around 60 aircraft.

Industry executives and market analysts were sceptical on whether rival SpiceJet will be able to survive the phase. Already on thin liquidity and hit by the grounding of the Boeing 737 MAX, SpiceJet is left with almost no money. With the outlook turning bleak, SpiceJet is in dire need of funds.

"I don't know where SpiceJet will get the capital to sustain operations for some time. Perhaps, as a last resort, they can request Boeing to release some cash in the interim," said an industry executive.

"There is no scope of deploying international aircraft in domestic routes, as people are cancelling every day. As a result, aircraft have to be grounded," said a network planner of an airline.

E-COMMERCE FIRMS, START-UPS DO THEIR BIT

Start-ups come up with tech to track patients

SAMREEN AHMAD & NEHA ALAWADHI
Bengaluru, 19 March

Several start-ups are coming up with tech-driven solutions to help authorities track those who have been tested positive, and also to share credible data.

Healthtech start-up Mfine has rolled out an assessment feature, which enables virtual medical consultations. The tool collects information by guiding users through questions to know about their health, timeline of symptoms, age, medical history, and travel details. It then makes a doctor consult with the patient. "3,000 people have used the tool in the past 10 days. The whole process takes around 15 minutes and costs ₹100," the firm said.

Portea has developed Cobot-19, which collects data from trusted sources including the WHO, and shares it with public. "We are the only country after Singapore to have launched such a chatbot," said Meena Ganesh, MD and CEO, Portea Medical.

Bajaj Allianz has rolled out an app with the Social Trackback feature, designed to help individuals maintain a real-time database of the people they have interacted in-person. The firm claims this will help authorities track the details in case a user has tested positive.

MapmyIndia has also started an app enabling users to locate coronavirus testing labs, isolation and treatment facilities.

E-tailers pitch in to aid state govts

PEERZADA ABRAR & NEHA ALAWADHI
Bengaluru, 19 March

Top e-commerce companies in the country such as Flipkart, Amazon, and Grofers are holding informal discussions with various state governments to provide services such as delivering essential items to people during lockdowns, people familiar with the matter said.

So far, these companies have been in touch with Karnataka, Maharashtra, Uttar Pradesh, and Haryana governments. "E-commerce companies are having informal conversations with different state governments to provide help," said an e-commerce industry executive having knowledge about these conversations. "E-commerce companies should be seen as an important partner in this fight against the pandemic."

Flipkart supply chain workers in protective gear

According to industry insiders, Flipkart, Amazon, Bigbasket, and Grofers have witnessed about 30 per cent spike in orders, mainly related to groceries, as people are avoiding crowding malls and supermarkets. According to sources, Grofers, which last year raised $220 million from investors including SoftBank, is also planning to offer a credit-feature soon for consumers with low income to enable them buy groceries.

Satish Meena, a senior forecast analyst at Forrester Research, said if the government and e-commerce companies partner, it would make a lot of sense. "Let's say if the government wants to lockdown Mumbai, they still want a channel open for people to get essential items," said Meena. "These e-commerce companies are best equipped right now, as the government does not have that kind of manpower to deliver goods to customers when they want," said Meena.

In response to a query, Flipkart said over the past several days, it has seen demand in certain categories increase, and it is meeting this demand working with lakhs of its sellers. The firm said it has taken multiple precautions to ensure the safety of its supply chain and last-mile delivery through regular sanitisation of the facilities and delivery vehicles (for groceries). "This gives us the confidence in our ability to support and collaborate with governments (both Central and states) and other stakeholders, as we fight this crisis as a country," said Rajneesh Kumar, chief corporate affairs officer, Flipkart Group.

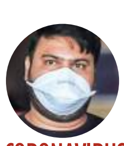
Retail stores, mall owners spar over rentals

Chains, multiplexes may invoke force majeure clause; litigation likely to increase

VIVEAT PINTO, SOHINI DAS, RAGHAVENDRA KAMATH & AMRITHA PILLAY
Mumbai, 19 March

Differences have begun to crop up between retailers/multiplex operators and mall owners over deferring rental payouts in the wake of the COVID-19 outbreak. While retailers are talking to mall owners on a one-on-one basis to invoke the force majeure clause in their contracts, multiplex operators are seeking legal advice on the same, sources have told Business Standard.

The issue acquires significance in the wake of the lockdown-like situation in which key Indian cities find themselves in following an increase in coronavirus cases. Retailers and multiplex operators want mall owners to either forgo rent for the period of the shutdown or lower rent in the event the mall is open but footfalls are low.



CORONAVIRUS PANDEMIC

"We are revisiting all agreements we have with mall developers as each contract is different," said a senior executive of a leading multiplex operator. The executive said rentals vary from ₹50-100 per sq ft for a multiplex, implying payouts could be anywhere between ₹10 lakh and ₹60 lakh for properties between 20,000 sq ft and 60,000 sq ft.

The math is similar for retailers, too, who cough up 10-15 per cent of their top line on rentals alone, sectoral experts said, prompting many to renegotiate contracts, especially those coming up for renewal in April.

Mall owners, however, say that no decision has been taken yet on the matter. "We are not working on anything right now. Everything is at a standstill," an official at Phoenix Mills, which runs malls in Lower Parel and Kurla in Mumbai, said. Rajneesh Mahajan, chief executive officer, Inorbit Malls, which has properties in Andheri and Malad in the financial capital, also said the same.

But persons privy to discussions said lack of consensus between retailers and mall owners could result in litigation growing in the coming months.

"One way out could be shorter extensions when lease agreements come up for renewal. However, once the market picks up, developers will increase rentals and extend the lease period," a Mumbai-based consultant said.

Lalit Agarwal, chairman and managing director, V-Mart Retail, who is also a member of the Retailers Association of India (RAI), said mall owners were partners and that retailers were looking at an amicable solution to the issue. "I don't think the endeavour is to damage our relationship with mall owners. They are important partners," he said.

Retailers, however, have already made a representation to the Department of Promotion of Industry and Internal Trade (DPIIT) asking for incentives for the retail sector in the wake of the coronavirus outbreak. They may also meet mall owners via their industry bodies in the near future to iron out differences, sources said.

Multiplex operators, meanwhile, say that they have begun consulting legal experts on the issue. "As a legal process, one needs to give a notice immediately and not post facto. We are considering legal options to see if rental payments can be suspended for now," an executive said.

WHAT IS FORCE MAJEURE

A force majeure (FM) means extraordinary events or circumstances beyond human control such as natural calamities, epidemics, war, strikes and riots. An FM clause in a contract frees both parties from contractual liability when prevented by such events from fulfilling their obligations. It does not, however, excuse a party's non-performance entirely, but only suspends it for the duration of the FM

Cost break-up of retailers (% as part of sales)

Rentals	Salaries	Marketing expenses	Utilities
15	10	8	2

Source: Industry

Mall operators' revenues may take 30% hit, say analysts

RAGHAVENDRA KAMATH
Mumbai, 19 March

With malls shut in key cities such as Mumbai, Bengaluru and Delhi, mall operators could lose 20-30 per cent of their annual revenues, analysts warn.

"With the COVID-19 issue likely to linger till at least Q1FY21, mall operators stand to lose 20-25 per cent of their annual revenue assuming that a rent-free period is given to retailers," said Adhidev Chattopadhyay, research analyst at ICICI Securities, said.

Chattopadhyay said mall operators and retailers may share the losses, given malls have become a relationship-based business with the same retailer having presence across malls. Phoenix Mills, in the listed space, and Blackstone-owned Nexus Malls, in unlisted space, are the largest mall operators.

"If malls are shut for a month, 30 per cent of their revenues in the first quarter is gone," a Mumbai-based analyst said, adding that even if malls are open and footfalls reduce, 10-20 per cent of revenues will be hit since the malls and retailers are on 'revenue sharing' model. He said mall owners could extend lease agreements with retailers for a short term and extend it after consumption picks up.

The analyst said since servicing of principal and interest on loans will become challenging for mall operatos in the next couple of months.

However, Shishir Shrivastava, managing director of The Phoenix Mills, said such closures will have short-term impact. "Losses for one month can be easily recouped. Between now and the next 12 months, consumption will pick up," he said. Mukesh Kumar, chief executive at Mumbai's Infiniti Mall, added the closure was a temporary disruption.

While ICICI Securities said 50-60 per cent space is up for renewal across Phoenix Mills' High Street Phoenix and all Market City malls over FY20-22, Shrivastava said the current issue won't have an impact on rent negotiations and renewals.

Meanwhile, Shopping Centre's Association of India asked the government said on Thursday to allow a moratorium period in repayment of bank loans, intertest and equated installments, without levy of any penalties, till the time the pandemic is affecting the business.

Sebi gives India Inc more time for Q4 filings

SAMIE MODAK
Mumbai, 19 March

The Securities and Exchange Board of India (Sebi) on Thursday relaxed the deadlines for regulatory filings, such as disclosures of financial results and shareholding pattern.

"Developments arising due to the spread of the virus warrant the need for temporary relaxations in compliance requirements for listed entities," Sebi said.

The deadlines to file the March quarter and full-year results have been extended by 45 days and 30 days, respectively, to June 2020. The last date to file shareholding pattern will be May 15 instead of April 21. Other areas where relaxations have been given are filing of corporate governance reports, secretarial compliance reports, and statements of investor complaints.

"Many companies have proactively announced work-from-home. The extension given by Sebi will be helpful for them to focus on the current business exigencies," said Khazat Kotwal, partner, Deloitte India.

Regulators across the globe, including the US SEC, have provided similar relaxations. "Such compliances invariably entail detailed coordination with different functional departments of a listed entity, besides conducting board and committee meetings. In the current situation, this relaxation is certainly a welcome move to avoid any regulatory action against the listed firms on account of any unforeseen lapse in ensuring compliances within the originally permitted timeline," said Harish Kumar, partner, L&L Partners.

Experts say companies should try their best to keep investors informed. "Globally, regulators are encouraging companies to disclose the impact COVID-19 is likely to have on their businesses, earnings, revenues, and pipeline. So, that is likely to be the next step here as well," said Shruti Rajan, partner, Cyril Amarchand Mangaldas.

BREATHER FROM PAPERWORK

Filing of	Due date	Extended date	Relaxation
Share transfer facility	April 30	May 31	1 month
Statement of investor complaints	April 21	May 15	3 weeks
Secretarial compliance report	May 30	June 30	1 month
Corporate governance report	April 15	May 15	3 weeks
Shareholding pattern	April 1	May 15	3 weeks
Financial results (quarterly)	May 15	June 30	45 days
Financial results (annual)	May 30	June 30	1 month

YES Bank plans to raise ₹20,000 cr through CDs

CRISIL has assigned 'A2' rating to the programme

ABHIJIT LELE
Mumbai, 19 March

Ailing private lender YES Bank will hit the market with certificate of deposits (CDs), a money market instrument, to raise up to ₹20,000 crore from institutional players, mostly banks.

This is the first large-scale (short-term) fundraising effort by the bank after being bailed out under a reconstruction scheme.

Rating agency CRISIL has assigned 'A2' rating to the ₹20,000-crore CDs programme of YES Bank. The instruments carrying this rating are considered to have strong degree of safety regarding timely payment of financial obligations. Such instruments carry low credit risk, CRISIL said in a statement.

The rating factors in the expectation of continued extraordinary systemic support from key stakeholders, along with sizeable ownership of State Bank of India (SBI).

YES Bank witnessed a steady outflow of deposits in the past few quarters given the challenges faced by it and the adverse news reports with respect to the bank.

Between December 31, 2019, and March 5, 2020, the deposit base shrunk by around ₹28,000 crore. Since March 31, 2018, the deposit base has declined by over ₹63,000 crore.

Nevertheless, the bank added depositors even in recent quarters.

The bank has also been in touch with existing depositors to address concerns. Key stakeholders have provided public assurances regarding the safety of deposits in YES Bank.

Given the recent events, it remains to be seen whether there is any significant withdrawal by depositors after the moratorium was lifted.

Nevertheless, liquidity support measures provide a good mitigant to significant withdrawals, CRISIL said.

The bank's liquidity coverage ratio was 74.6 per cent as on December 31, 2019, against the regulatory requirement of 100 per cent.

The CRISIL report said it understands that the ratio has improved as on latest date supported by capital infusion into the bank.

Also, as on the latest date, the bank's statutory liquidity ratio is also in line with regulatory requirements.

Bank reassures on safety of deposits

As banking services resume fully at YES Bank, administrator Prashant Kumar on Thursday once again assured depositors about the safety of their money and said there is ample liquidity with the bank. Kumar is the MD and CEO designate of the reconstructed YES Bank. The banking services resumed at 6 pm on March 18, 2020, and customers were able to get full services by visiting the branches from March 19, 2020. "The bank has ample liquidity and there is no need to depend on external sources," Kumar said in a statement. Bank branches will open one hour earlier, at 8:30 am from March 19 to 21, 2020, so as to serve the customers better. The bank has also extended banking hours across branches for its senior citizen customers, from March 19 to March 27, 2020 – 4:30 pm to 5:30 pm. PTI

ED asks Anil Ambani to appear again on Mar 30

Subhash Chandra to join probe on Saturday

SHRIMI CHOUDHARY
New Delhi, 19 March


Anil Ambani leaving the ED office in Mumbai on Thursday BS PHOTO

Reliance Group Chairman Anil Ambani appeared before the Enforcement Directorate (ED) on Thursday to clarify on the group's exposure to YES Bank, and sought more time from the agency to provide further clarifications on some specific queries. The probe agency has asked him to appear again on March 30.

Ambani had been called by the ED in connection with an ongoing money laundering case against YES Bank co-founder Rana Kapoor. Ambani was asked to furnish some important details which are crucial for the case, said an ED official. ADAG is amongst the largest borrower of the bank, with an exposure of around ₹13,000 crore.

Sources said that the ED during questioning asked for his replies on queries related to the group's functioning, utilisation of credit sanctioned and the agreement with the private-sector lender, the official said. An email sent to Reliance group on the specific queries went unanswered.

In a media statement, Reliance group said, "Anil Ambani met ED officials (on Thursday) to clarify on the Reliance Group's exposure to YES Bank. He reiterated that the Reliance Group's entire exposure to YES Bank is fully secured and transacted in the ordinary course of business. All transactions between the Reliance Group and YES Bank are in compliance with the law and financial regulations."

Ambani also clarified to the agency that Reliance Group had no direct or indirect exposure to Rana Kapoor or his wife or daughters, or any entities controlled by Kapoor or his family.

Ambani assured that the Reliance Group will continue to extend its full support and cooperation to all authorities, in its statement.

The central agency had issued summons to Ambani to appear last on March 16, but he had sought adjournment and requested an extension, and the agency then asked him to make a personal appearance on Thursday.

Meanwhile, other big defaulters of YES Bank who had been summoned by the ED to appear this week did not show up. This includes Jet Airways founder Naresh Goyal, who will be issued fresh summons. Essel Group Chairman Subhash Chandra has been given a fresh date and asked to join the probe on Saturday, as he could not appear because he was attending the parliament session. Chandra is a member of parliament in Rajya Sabha.

Indiabulls group founder Sameer Gehlaut also requested for postponing his questioning as he is in the UK and unable to appear due to travel restrictions. DHFL's Kapil and Dheeraj Wadhawans also skipped the summons date citing coronavirus.

SoftBank seeks to raise $10 billion for Vision Fund

BLOOMBERG
19 March

SoftBank Group is seeking to raise an additional $10 billion so its first Vision Fund can support portfolio companies battered amid the coronavirus pandemic, according to people with knowledge of the matter.

SoftBank is in talks with outside investors to provide $5 billion, which will be matched by a $5 billion contribution from the Japanese conglomerate, said the people, who requested anonymity because the talks are private.

To be sure, SoftBank may be unable to secure sufficient commitments from investors, in part because West Asian sovereign wealth funds have been rocked by the steep decline in the price of oil.

The Vision Fund — which counts Saudi Arabia's Public Investment Fund and Abu Dhabi's Mubadala Investment as its biggest backers — had spent $80.5 billion of its $98.6 billion total as of December 31, according to filings.

The fund plans to reserve some of the remaining cash to pay back a coupon attached to the Saudi investment, said some of the people. The new capital would be used to support struggling portfolio companies and to fund opportunistic acquisitions of smaller rivals whose valuations have also been battered, some of the people said.

SoftBank is also reviewing the 88 companies in the first Vision Fund as well as ones in its nascent successor, Vision Fund 2, to ascertain their viability amid the pandemic, some of the people said. Some of these companies may not have sufficient cash on hand to survive for more than a year, one of the people added.

Representatives for SoftBank and SoftBank Investment Advisers, the entity that manages the Vision Fund, declined to comment.

Already, some of the fund's largest investments have taken a hit. Uber Technologies shares have more than halved in the past month, in part because its ride-sharing service Uber Pool has been banned in certain geographies.

Some of the other closely held companies including food delivery companies DoorDash are poised to be beneficiaries as consumers around the world observe "shelter in place" orders and other mandated quarantining.

Rotomac, Frost Int'l bosses arrested

RUCHIKA CHITRAVANSHI
New Delhi, 19 March

The Serious Fraud Investigation Office (SFIO) on Thursday arrested Rahul Kothari, director of Rotomac Group along with Frost International's CEO Sujay Desai and Managing Director Uday Desai for fraudulent round tripping of funds, abusing the scheme of merchanting trade.

Kothari, a whole-time director of the pen company Rotomac, and the Mumbai-based company's bosses were remanded to SFIO custody by a magistrate court. The investigation revealed that in order to obtain bank funds, Kothari, along with Sujay Desai and Uday Desai, manipulated their financial statements.

"They inter alia issued fictitious debit notes to many foreign entities, which were under their control, in order to fraudulently transfer these foreign exchange losses incurred during the fraudulent merchanting trade to trade receivables," a senior official said.

Following this modus operandi, they were able to show a healthy balance sheet. The SFIO probe found that Rotomac manipulated books in the form of trade receivables to the tune of ₹3,000 crore, while the total amount for Frost International was around ₹3,500 crore.

Rotomac Group of Companies and Frost International have total outstanding liability of ₹4,000 crore and ₹3,500 crore towards 14 public sector banks against which they have defaulted.

The provision to arrest for SFIO — which deals with white collar crimes and fraud under companies law, was notified only two years ago.

In May 2018, the Central Bureau of Investigation (CBI) filed its charge sheet against Rotomac Global and its promoters, in connection with the ₹4.56 billion alleged loan default involving Bank of Baroda (BoB). The investigative agency also booked Frost International for an alleged bank fraud, to the tune of over ₹3,592 crore.

Banks seek RBI nod for relief to firms

Need moratorium on loans, say CFOs

DEV CHATTERJEE & ABHIJIT LELE
Mumbai, 19 March

As corporate cash flows feel the impact of the coronavirus (COVID-19) pandemic, Indian lenders are seeking Reserve Bank of India's nod to offer relief to borrowers, and not classify the affected sectors as bad loans in the March quarter.

SBI Chairman Rajnish Kumar said banks were assessing sectors such as aviation, tourism, small transport operators that will be negatively impacted because of COVID-19. "There will some effect on the economy," said he.

According to a source, banks are ready to offer easier credit to small and medium-sized companies that would face maximum pressure in the current quarter as sales falter because of supply chain disruptions and lack of customers.

"We are getting representations from companies to delay loan repayments and we have sought the RBI's clearance for that. As this is a Black Swan event, we think the companies do have a case," said a banker.

A full-time board member of a public sector bank said some forbearance was necessary to three segments that have been hit badly — hospitality, tourism, export-oriented units — like relaxation in treatment of loans as stressed assets. Special funding support should also be considered, he added.

COVID-19 IMPACT ON SECTORS

HIGH RISK: Airlines, airports, hotels, malls, multiplexes, restaurants and retailers

MODERATE RISK: Auto, auto parts, IT, petrochem, renewables, consumer durables and electronics

LOW RISK: Pharma and power

BofA Securities has estimated that a month's shutdown will cost about 50 basis points of annual gross domestic product (GDP) of India. Rating firm Moody's has also warned that corporate cash flows will be hit because of the shutdown in India and abroad and many companies will default on loans.

The bankers are also worried about the fact that growth in credit to the industrial sector has moderated to 1.6 per cent because of single-digit growth in medium and large industries at 2.5 per cent and 1.8 per cent, respectively.

Besides, some of the large sectors that account for around 70 per cent share of the overall industrial credit had negative to slow credit growth, which includes infrastructure, petroleum, chemicals, metals and food processing. Moreover, these large industrial segments accounted for a majority of bad loans in the third quarter, thus, further impacting credit growth.

Corporate finance heads said the pandemic could lead to disruption in the March quarter. "The scenario is very bad. There should be a moratorium on principal repayment for two years and interest for six months for corporates. The net present value of the loans also should also be protected by adjusting the rate of interest," Prabal Banerjee, group finance director, Bajaj group.

The moratorium should be for high risk services sector, including airlines, airports, hotels, malls, multiplexes, restaurants and retailers. "While some affected companies may move to cut cost, these may not be enough because of inflexible overheads and, therefore, their credit profiles could be impaired," rating firm CRISIL warned in a note issued on Thursday.

While COVID-19 might not have a direct impact in some sectors such as steel, gems and jewellery, construction & engineering, and textiles, the current global and domestic economic slowdown will impact demand and realisation.

PHOTO: PTI

Railway passenger traffic catches the flu, declines 28%

SHINE JACOB
New Delhi, 19 March

Coronavirus (COVID-19) may well turn out to be a spoiler for Indian Railways in the current financial year. So far, the number of reserved passengers and the earnings from it has dropped 28 per cent and 24 per cent, respectively, compared to March 2019.

The national transporter has cancelled 155 pairs of trains this week as a step to curb the spread of COVID-19. In the past seven days, the drop in passenger numbers reached as high as 55 per cent and earnings by 47 per cent, respectively, shows the data from Indian Railways.

This will hit annual earnings for 2019-20 that had otherwise shown a growth over the previous year. From April 1, 2019, to March 19, 2020, the reserved passenger numbers had increased 3 per cent over the past year to 596.39 million, while earnings were 5 per cent higher at ₹35,623.1 crore.

Interestingly, the cumulative passenger earnings for the current financial year (till March 10), including passenger reservation system (PRS) and non-PRS, was at around ₹50,161 crore, compared to ₹51,057 crore in 2018-19 (FY19). It was expected that the Railways would surpass last year's earnings. The impact on rail travel started showing earlier this month with March 1-10 passenger earnings at ₹1,360 crore, down 6 per cent, compared to ₹1,442 crore during the same period in FY19.

This would mean that though the Railways may surpass the previous year's target in 20 days, it is unlikely to achieve the revised target of ₹56,000 crore set for 2019-20. For 2020-21, the target has been set at ₹61,000 crore.

Voluntary cancellation by travellers, too, increased in February and March. "Since the past two weeks, we have seen a rise in the number of train ticket cancellations due to the outbreak of COVID-19. In the past two days, we have seen cancellations going up from 37 per cent to 45 per cent and it is continuously increasing," said Dinesh Kotha, co-founder, Confirmtkt, Bengaluru-based online train ticket discovery and booking engine.

Trains to major cities like Delhi, Kolkata, Bengaluru, Hyderabad, and Chennai are the most hit. Routes that have been impacted are Patna-New Delhi, Mumbai-Nagpur, Mumbai-Pune, Tirupati-Secunderabad, Ahmedabad-Mumbai, Bengaluru-Chennai, Chandigarh-New Delhi, and New Delhi-Varanasi. Due to the outbreak, new bookings have also gone down by more than 20 per cent.

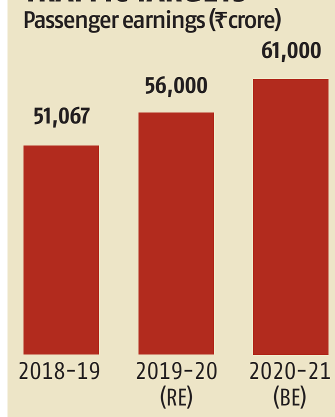
"Since February, there has been 20 per cent increase in cancellations and bookings," added Kotha.

The data shared by online data analysis and booking platform RailYatri also shows a rise of 39 per cent in cancellations so far in March, compared to last year.

In February, there were a total of 103,842 bookings, from which 42,732 got cancelled — this is a cancellation rate of 41 per cent. At the same time, during the same month last year, there were a total of 110,732 bookings and 33,084 got cancelled. This gives a cancellation rate of 30 per cent.

Apart from cancelling of 155 pairs of trains, for which 100 per cent refund will be given, the Railway Board is discouraging people from travelling by suspending concessional bookings for certain categories, except patients, students, and differently-abled categories for unreserved and reserved segment.

TRAFFIC TARGETS
Passenger earnings (₹ crore)



CORONA CONCERNS

54.81% Drop in reserved passenger numbers in the last 7 days vs 2018-19

47.02% Drop in passenger earnings in the last 7 days vs last year

₹50,160.57 crore Passenger earnings (PRS & non-PRS) from April to March 10 2019-20, up 4.47% as against the corresponding period in 2018-19

27.81% Drop in passenger numbers so far in March

Mumbai to suspend AC local train service

Both the Central Railway and Western Railway have decided to suspend the services of air-conditioned local trains in Mumbai from Friday in view of the coronavirus outbreak.

Dabbawalas suspend deliveries

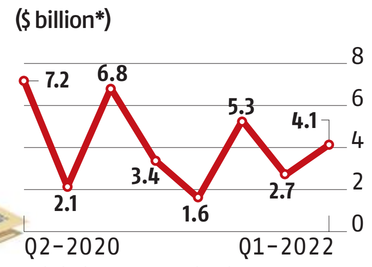
Mumbai's famed tiffin suppliers, the dabbawalas, said they are suspending services till March 31. The move is in response to CM's appeal to not crowd trains. PTI

India Inc overseas debt payments to get costlier

Coronavirus, rupee crash to impact corporate cash flows

DEV CHATTERJEE
Mumbai, 18 March

DUES
($ billion*)



*Includes loans/corporate bonds
Source: Bloomberg
Compiled by *BS* Research Bureau

Overseas loan repayments of several Indian firms, due by March-end or later, will become costlier due to the rupee crash and COVID-19 pandemic, which would impact cash flows of all companies, bankers warn.

Bankers said overseas debt worth several billion dollars of top corporate houses are due to be refinanced or will be repaid in the March and subsequent quarters. "Whatever option the company chooses between refinancing and repayment, it would end up paying more due to the 4 per cent fall in rupee's value versus the dollar since January," a banker said.

Global rating firm Moody's warned that corporate liquidity could face severe pressure if the bond markets remain challenging. "The lack of issuance in recent weeks, combined with an expected sharp weakening of profits, will strain the liquidity of companies in some sectors. Highly-rated companies should be able to withstand a temporary shutdown of the bond markets and maintain alternative sources of funding. Lower-rated companies, with weaker liquidity and near-term bond refinancing, requirements will be at risk," it said.

Bankers said some of the firms may default on their overseas loans as their cash flows get impacted due to falling sales due to the shutdown.

According to Bloomberg data, Indian companies will have to repay overseas debt worth $7.5 billion in the June quarter. Air India has $135 million due next month and State Bank of India has to repay $1.2 billion. Among the large companies, RIL has $550 million loan scheduled for repayment next month.

Financial research firm CreditSights warned in a report that Vedanta Resources, which has consolidated debt of $2 billion maturing by March 2021, may face liquidity crunch and repayment crisis on its dollar bonds. It warned that its unsecured dollar bond holders may see zero recovery if the fall in oil and metal prices persists due to the pandemic and oil crash — which went below $25 a barrel on Wednesday.

A Vedanta official, however, said firm company has not defaulted in the past and has a track record of delivering growth, meeting all obligations to debt holders on schedule. "Vedanta has delivered 15 per cent CAGR (compound annual growth rate) production growth in the past 15 years and is on the cusp of seeing the next phase of strong growth from its world class asset base," said a Vedanta spokesperson.

"Whilst commodity prices have seen a marked sell off in the recent weeks, we have been through these cycles before and are well positioned to weather a downturn. Vedanta's leading cost position means it will outperform on relative margins through any downturn we see. Likewise, we will see some of the highest Ebitda (earnings before interest, tax, depreciation and amortisation) margins in any market bounce back. In the meantime, we run our business with strict capital discipline, our focus is on delivering the best volumes at the lowest cost, in a safe and responsible way," the official said.

(With inputs from Abhijit Lele)

Banks' exposure to travel, hospitality sectors at risk

65 listed firms in travel and tourism sector had ₹30,500-cr outstanding loans in Sept

KRISHNA KANT
Mumbai, 19 March

Lenders' exposure to the travel and hospitality sectors is at risk because of the economic disruption from the novel coronavirus (COVID-19). The 65 listed companies in the sector had combined outstanding loans worth around ₹30,500 crore at the end of September 2019, up 37.2 per cent year-on-year (YoY) compared to the corresponding period a year ago.

The companies had total loan outstanding of around ₹22,200 crore at the end of September 2018.

CORONAVIRUS PANDEMIC

Hotels are the biggest borrowers followed by airlines. Hotel chains such as Indian Hotels, Chalet Hotels, Lemon Tree Hotels, and Asian Hotels (North) accounted for around 50 per cent of the combined borrowings of firms that Business Standard analysed. (See the adjoining chart)

The analysis excluded unlisted large borrowers such as Air India and defunct companies such as Jet Airways, Cox & Kings and Kingfisher Airlines.

Among individual companies, SpiceJet was the most indebted in the industry. The airline had total outstanding debt of around ₹8,800 crore at the end of September 2019, against ₹1,217 crore a year ago. It was followed by Coffee Day Enterprises, which had debt worth ₹6,500 crore at the end of September 2019, up from ₹4,410 crore a year ago; Indian Hotels (₹3,500 crore); and, Mahindra Holidays (₹1,770 crore).

Airlines are facing the brunt of the disruption caused by COVID-19 as countries restrict air travel and travelers themselves cancel holiday plans. A prolonged decline in air travel is likely to hit SpiceJet's finances, given its highly leveraged balance sheet. Its debt of around ₹8,800 crore at the end of September 2019 was backed by a negative net worth of ₹461 crore, putting the airline and its lender in a financially vulnerable position.

In comparison, market leader Interglobe Aviation that runs IndiGo had total outstanding debt of around ₹622 crore at the end of first half of financial year 2019-20 (H1FY20), backed by net worth of around ₹6,200 crore. This gives it a greater resilience to survive the downturn.

In the hospitality or hotel industry, smaller chains such as Lemon Tree Hotels, Asian Hotels (North), and Asian Hotels (West) look more vulnerable to a downturn than their larger peers such as Indian Hotels, EIH and Chalet Hotels. In the first nine months of FY20 (9MFY20), these smaller hotels chains had much lower interest coverage ratio (ICR) — a measure of the company's debt servicing ability — than larger and well established chains.

For example, Lemon Tree Hotels, which reported total borrowings of ₹1,285 crore at the end of September 2019 has ICR of 1.6x compared to 3.3x for Indian Hotels and 6.5x for EIH. Similarly, Asian Hotels (North) reported ICR of 0.6x, which was close to a default, while Asian Hotels (West) had ICR of 1.5x during 9MFY20. A company with ICR below 1.5x is treated by rating agencies as being close to default.

Coffee Day Enterprises could also face financial difficulty. The café chain operator reported total debt of around ₹6,500 crore at the end of March 2019, backed by net worth of around ₹2,530 crore. This translated into an uncomfortably high debt to equity ratio of 2.6x at the end of March 2019.

DEALING WITH DEBT
Borrowings and balance sheet ratio of major airlines and hotel chains

	Total debt	ICR	Gross leverage ratio
SpiceJet	8,794.3	3.9	-10.4
Coffee Day*	6,547.4	2.3	2.6
Indian Hotels	3,503.2	3.3	0.9
Mahindra Holiday	1,772.2	4.8	9.2
Chalet Hotels	1,370.1	2.7	0.9
Lemon Tree Hotels	1,285.1	1.7	1.6
Asian Hotels (North)	1,183.3	0.6	1.7
Asian Hotels (West)	782.6	1.5	7.7
EIH	687.4	6.5	0.2
InterGlobe Aviation	622.2	3.9	0.1
All 65 firms	**30,495.8**	**3.4**	**0.9**

Note: Interest coverage ratio (ICR) during April-December 2019
Gross leverage ratio at the end of September 2019 (H1FY20)
*All numbers and ratio at the end of March 2019
Source: Capitaline
Compiled by *BS* Research Bureau

BofA, CRISIL cut India growth forecast

Brokerage Bank of America (BofA) Securities and rating firm CRISIL cut India's growth forecast on Thursday, in light of the COVID-19 pandemic.

While BofA has sharply cut the June quarter growth forecast by 90 bps to a low of 3.1 per cent and the full-year FY21 GDP target by 100 bps to 4.1 per cent, CRISIL said the pandemic will leave the economy crippled next fiscal year pulling down the growth to a low of 5.2 per cent. CRISIL had earlier forecast the GDP printing in a 5.7 per cent expansion.

The report from economists at BofA comes just a day after they slashed their full-year FY21 forecast by 80 bps to 5.1 per cent. AGENCIES

Social distancing pushes patients to consult doctors online

SOHINI DAS
Mumbai, 19 March

Social distancing on account of coronavirus has started affecting hospitals and health clinics.

People in larger numbers are opting for virtual consultation because they want to avoid hospitals.

Moreover, with restrictions on visas and arrivals, medical tourism too has taken a hit.

Digital healthcare platform Practo, for example, has seen a jump of three to four times in the number of requests for consultation with general physicians, each of whom in normal times consults 25-30 patients a day. About 53 per cent of e-consultations last week were related to coronavirus.

"It is not possible to handle an increase of this magnitude. Doctors are getting requests from 2-3 am in the morning to 10-11 pm at night. People are consulting doctors even when there are small symptoms. There are those who don't want to visit clinics or hospitals for fear of exposure to crowds," the company spokesperson said.

"We've increased our doctor base by close to 50 per cent in the past four weeks, and have reached out to more doctors and hospitals for using Practo's platform," the spokesperson said.

Practo allows users to share reports and images, and do video calls. It's available 24 hours a day in 20 specialties.

Alexander Kuruvilla, chief healthcare strategy officer, Practo, told *Business Standard*: "Similar symptoms of coronavirus and common cold have made it difficult to distinguish between the two."

Reports indicate the Chinese are turning to online consultation faster than before, he added.

1mg, an e-pharmacy and also a healthcare platform that allows you to book diagnostic tests, etc, has seen a 300 per cent spike in e-consultation for cold and fever-like symptoms since the beginning of March. Contrary to popular perception, calls have been pouring in from all over the country.

DocOnline, another healthcare platform, has seen an expected spike in demand for telemedicine in India. "In DocOnline the number in March has doubled over that of February," said Markus Moding, founder and board member, DocOnline.

While virtual and telephonic consultation has seen a spike, there has been a dip in hospital visits, especially by foreign patients. With visa restrictions, arrivals have slowed. Patients who travel for medical reasons do so for surgery and consultation.

Dilip Jose, chief executive officer, Manipal Hospitals, which gets 6-7 per cent of its patients from overseas, said the patients who were in India were the ones visiting the hospital.

"In April, we would see a big fall in numbers because nobody would be able to plan visits now and people would prefer to wait until things settle down," he said.

The difference between the average revenue per international patient and a domestic one is 7-8 per cent, he said.

While hospitals have not given revenue guidelines for the March quarter on account of losing foreign patients, they said the footfalls would stop.

Alok Roy, chairman of Medica Group of Hospitals, a Kolkata-headquartered group, told *Business Standard*: "We get approximately 1,000 new patients (medical tourists) per month in addition to those who come for reviews and preventive health check-ups. Overall per month we see approximately 4,000 footfalls." They come from Bangladesh, Bhutan, Myanmar, etc.

The hospital chain draws around 8 per cent of its income from medical tourism.

Roy said from 100 footfalls per day, the number had dropped to around six per day now.

Export of masks and ventilators banned: Centre

The government on Thursday prohibited the export of surgical masks, ventilators and also textiles used to make masks. This is in response to a shortage in the country that has risen on account of panic buying. Ventilators are used in hospitals for critical care. Exporters who have delivery commitments would face a challenge.

An industry insider said, "There is not a lot demand for export of ventilators, but I had received urgent delivery requests from Italy, Israel and Serbia. We had directed them to contact the seven identified Indian manufacturers who had over 50 per cent spare capacity but this will put a roadblock to the potential export orders."

Given the supply disruption, the national pricing regulator has sought data from firms on production and distribution. BS REPORTER

Coronavirus pandemic burns ₹2-trillion hole in LIC's investments

IN THE SLOW LANE

Company	Stake (%)	Loss (₹crore)
RIL	6.15	23,274
ITC	16.25	15,117
ICICI Bank	8.36	10,786
SBI	9.13	10,580
Larsen & Toubro	14.25	9,112
Axis Bank	9.02	8,293
TCS	4.12	8,120
ONGC	9.48	8,068
Coal India	10.94	5,825
HDFC	4.21	5,749

LIC stake in Nifty50 stocks as on December 31, 2019
Source: Capitaline Plus Compiled by *BS* Research Bureau

DEEPAK KORGAONKAR & PUNEET WADHWA
Mumbai/New Delhi, 19 March

A 32 per cent drop in the S&P BSE Sensex and the Nifty50 thus far in calendar year 2020 (CY20) has weighed heavily on the fortunes of state-owned Life Insurance Corporation of India (LIC), which has suffered a notional loss of ₹2 trillion in the past two-and-a-half months.

The insurer, known for making large equity investments, has substantial holdings in many listed companies. The dent comes at a time when the government is drawing up plans of listing LIC at the bourses, subject to legislative changes and regulatory approvals.

The value of the insurer's holdings in listed companies at the end of the December 2019 quarter stood at ₹6.02 trillion, which has come down to ₹3.99 trillion now, translating into a mark-to-market hit of ₹2.03 trillion, or 34 per cent.

The study is based on 209 companies of the S&P BSE 500 index in which LIC held over 1 percentage point stake in the December 2019 quarter. These companies accounted 65 per cent of the market capitalisation of BSE-listed companies.

Financials, including banks, non-banking financial companies (NBFCs), and insurance companies, which are the top value destroyers, accounted for 30 per cent or ₹61,552 crore of LIC's value erosion during the period.

Oil and gas (₹39,041 crore), information technology (₹16,122 crore), cigarette makers (₹15,117 crore), metals (₹13,549 crore), automobiles (₹12,896 crore), and infrastructure (₹11,973 crore) are other sectors in which LIC lost a more than ₹10,000 crore during the period.

"Services-related sectors will be the worst hit due to COVID-19. Agri will largely remain unaffected, while manufacturing will be hit to the extent that there will be a supply-side issue. Within services, too, there are sub-divisions for the impact. While telecom may largely remain unaffected, hotels, travel & tourism will bear the brunt. All this will continue to impact investors' fortunes, including those of LIC. This is a systemic issue," says G Chokkalingam, founder and managing director at Equinomics Research.

Over the next few months — at least till there is clarity on the impact of COVID-19 on the economy and the fortunes of India Inc — analysts at Credit Suisse Wealth Management expect fund flows into equities, both domestic and foreign, to taper off, which again will put the Indian markets under pressure.

"Foreign portfolio investors (FPIs) are selling and cutting their exposure to emerging markets (EMs), given virus fears and crash in oil prices, as they are unwinding their aggressive bets and India is no exception. So far the domestic equity flows have been robust, but given the challenging macro conditions and unwinding of leverage positions, sustenance at this pace looks difficult," said Jitendra Gohil, head of India equity research at Credit Suisse Wealth Management.

That said, while most analysts agree that the markets are yet to fully price in the impact COVID-19 has on the economy and the fortunes of India Inc, they do not rule out a sharp recovery once the health scare peaks. Analysts at Nomura, for instance, maintain a Nifty50 target of 11,030 for March 2021 based on 15x March 2022 earnings. This is after accounting for the 8 per cent lower than the consensus current earnings estimates.

El Niño may be 'neutral', raises hopes of normal rains this year

SANJEEB MUKHERJEE
New Delhi, 19 March

Amid the gloom, there is some good news on the weather front. The latest forecasts show that the dreaded El Niño weather phenomenon, known to disrupt the flow of the southwest monsoon, is expected to remain 'neutral' in May, June and July.

The latest India Meteorological Department (IMD) forecasts show that sea surface temperatures might further cool, enhancing the probability of La Niña after July. These weather phenomena indicate that the monsoon may be normal in India this year.


IMD forecasts show sea surface temperatures might cool down, enhancing probability of La Niña

The southwest monsoon enters India in June and starts withdrawing in September. July is the critical month as the quantum of rains is highest then. A good monsoon is crucial for Indian agriculture and the economy in general as less than half of India's farmland is irrigated.

The El Niño is defined as an increase of Eastern Tropical Pacific's sea surface temperature (SST) of 0.5 degree Celsius from long-term average, while its opposite, the La Niña, is defined as a decrease of SST over the same area by -0.5 degree Celsius from the average.

El Niño plays a big role in the performance of India's southwest monsoon. Data studied by private weather forecasting agency Skymet shows that in the 135 years starting 1880, about 90 per cent of all evolving El Niño years led to below normal rainfall, while 65 per cent of evolving El Niño years saw droughts.

"During an El Niño year, the rainfall is generally below the normal average, which has its negative bearing on crop production," the Skymet report had said.

If that's not all, the Indian Ocean Dipole (IOD), another factor that has a bearing on the southwest monsoon's performance, is also expected to remain neutral during most of the forecasted period, according to IMD.

All these factors provide hope that unless there is a dramatic change in conditions, initial indications show that the southwest monsoon might be normal in 2020.

"So far, we haven't noticed any major adverse conditions as far as southwest monsoon in 2020 is concerned, but much of it will get clearer after middle of April," a senior IMD official said. Weathermen though warn that it is still early days and predictability of El Niño is limited.

"We will come out with a detailed first stage forecast of southwest monsoon 2020 after middle of April, till then it is difficult to say how things will move," said IMD Director General Mrutyunjay Mohapatra.

Skymet, meanwhile, on Thursday also said the current model projections indicate 'neutral' El Niño conditions during monsoon months with a probability of over 50 per cent. "In other words, in this monsoon, El Niño is likely to remain neutral with a probability of 50 per cent," the private weather forecaster said.

ALL IN A DAY

Nirbhaya case: End of road for convicts as HC snubs plea


Nirbhaya's mother flashes the victory sign as she leaves Patiala House Courts Complex in New Delhi

The Delhi High Court on Thursday dismissed the plea filed by three of the four death row convicts in the Nirbhaya gang-rape and murder case challenging the trial court order declining to stay their execution, which was scheduled for early Friday morning (5:30 am). In a late night hearing, a bench comprising justices Manmohan and Sanjeev Narula, dismissed the plea saying it was devoid of merits. The trial court on Thursday afternoon dismissed the plea of Akshay Kumar Singh, Pawan Gupta, Vinay Sharma seeking to stay their death warrants. **PTI**

NABARD gives ₹42K cr for rural infra

Apex agriculture financial institution National Bank for Agriculture and Rural Development (NABARD) has extended ₹42,313 crore financial support during 2019-20 for building rural infrastructure. It has so far this fiscal disbursed ₹20,869 crore in addition to providing ₹5,686 crore for rural connectivity, a statement by NABARD said. The other segments supported by NABARD are drinking water supply, renewable energy, storage and dairy, etc. **PTI**

SC to MP Speaker: Hold floor test

The Supreme Court directed the Speaker of Madhya Pradesh's legislative Assembly to conduct a vote test of the government's majority on Friday and complete the proceedings before 5 pm.
SANDEEP KUMAR

Vivad se Vishwas rules notified

To avail full benefit of direct tax dispute resolution scheme— Vivad se Vishwas— the government notified the rules on Thursday. The facility for online filing of such forms on the portal was also subsequently enabled by the I-T department. **BS REPORTER**

J&K Bank open offer: Relief for state govt

Sebi has exempted the Jammu and Kashmir government from making an open offer to shareholders of Jammu & Kashmir Bank following proposed equity infusion that would hike its stake in the lender by 8.95 per cent. The order comes after the bank filed an application in February on behalf of its promoter seeking exemption from applicability of Substantial Acquisition of Shares and Takeovers (SAST). **PTI**

Need of the hour

Telecommuting can only be a temporary solution as the more people work apart, the less they work together

HUMAN FACTOR

SHYAMAL MAJUMDAR

Work from home has become an absolute necessity at this point as social distancing is the way to go in a world reeling under COVID-19. Many have said that companies all over the world will embrace work from home like never before even after the deadly virus disappears. While that may be wishful thinking, it at least provides another chance for companies to re-examine their relationship with employees, and to elevate their corporate culture where the wisdom of old habits is questioned.

There are reasons why work from home has many backers. First, work from home cuts out commute which can be both a huge morale booster and a huge time saver. Productivity also improves as employees are united in their opinion that it cuts all the "useless" meetings and other time wasters that are permanent features in an office environment. Working from home also means either no office or at the very least, a lot less office space, saving a lot of cost.

Sociologists say people who work at home work between five and seven hours more per week than those in the office; yet, it promotes work-life balance as employees have more time for their family and friends.

So the near-consensus is that the current compulsion of allowing work from home will help employers realise the virtues of introducing telecommuting permanently so that employees are happy and more productive.

The story may not have such a happy ending though. That's because research has found that while work from home should be part of contingency planning, there are downsides. When employees work mostly from home, they only interact with their colleagues via email and occasional calls. That's not enough for building a company culture. A Gallup study said those with a "best" work buddy are "seven times as likely to be engaged in their jobs, are better at engaging customers, produce higher quality work, and have higher well-being", compared to those without. The tight-knit camaraderie that makes for great teams is very difficult to achieve in remote working.

Massachusetts Institute of Technology Professor Thomas Allen has showed that if people are more than 150 feet apart, the probability that they will communicate frequently plummets. This shows that no amount of Skype or dirt cheap broadband services can compensate for the need to meet physically.

When somebody works from home, the line between work-life and home-life becomes blurred. After all, it's hard to leave your work at work when your office is literally down the hall from your bedroom. After the initial sense of relief is over, people who work from home often feel nostalgic for the notion of gung-ho solidarity and team spirit that working in a shared space with colleagues can provide. That's because the more people work apart, the less they work together, and this can hinder productivity and sense of community.

It creates unnecessary anxieties as well. When you work from home and can't get to a call or email right away, your co-workers may not give you as much leeway as they might if you were in the office. People might wonder if you're taking it easy rather than pulling your weight.

At least two of the world's largest companies have moved away from it because of the perceived negative effects. Many managements have misgivings about allowing work from home on a wide scale because of the behaviour of quite a few employees who have interpreted it as "shirk-from-home".

In 2013, former Yahoo chief executive Marissa Mayer decreed that workers must start showing up at the office, saying that in order "to become the absolute best place to work, communication and collaboration will be important, so we need to be working side-by-side". Though Mayer was roundly criticised for the decision, *The New York Times* had reported at that time that some Yahoo employees used their working time at home to start their own businesses.

IBM which had also overturned its earlier decision to allow work from home had said its goal was to make the company more agile where "the leaders have to be with the squads".

In its memo asking employees to stop working from home, Yahoo had said that some of the best decisions and insights came from hallway and cafeteria discussions, meeting new people, and impromptu team meetings. Once the COVID-19 threat is over, the corporate world may once again realise that more work gets done at the hallways and cafeterias than at home.

CHINESE WHISPERS

Congress' Bihar dilemma

Congress leaders in charge of Bihar are disappointed with the Rashtriya Janata Dal (RJD), its ally. The RJD refused to give the Congress one of the two Rajya Sabha seats the alliance was set to win in the state. In the event, the RJD candidates won both seats unopposed. Congress leaders say the RJD is not preparing in earnest for the Assembly polls, scheduled in October–November. They are of the view that RJD leader Lalu Prasad's children, particularly those currently in politics, are apprehensive about the fate of several cases of corruption against them. Sources say some have suggested the Congress explore other alliances, including one with Left parties under the leadership of Communist Party of India's (CPI's) Kanhaiya Kumar. However, the Communist Party of India (Marxist–Leninist), which has a respectable support base in pockets, might not want to sever its ties with the RJD.

With rebels as the prop ....

The Bharatiya Janata Party (BJP) in Karnataka believes the victory of 11 rebel Congress–Janata Dal (Secular) legislators on the BJP ticket and the induction of 10 of them as minister have given the much-needed stability to the B S Yediyurappa government. While this has also led to disgruntlement among some party seniors and loyals, the Opposition has been relentless in its criticism. The leader of the Opposition in the Assembly, Siddaramaiah, on Thursday asked Chief Minister Yediyurappa (*pictured*) about his government's longevity. He said there was no guarantee the BJP government would continue for three years. Responding to this, Yediyurappa said "we will be here (continue in power) ..." Siddaramaiah then said "if you are continuing ... what trouble will I have, but we don't have a guarantee that you will continue... because a lot of things are happening

Cricket before floor test

While a nervous Congress tries desperately to bring back its rebel MLAs from a Bengaluru resort before the floor test in Madhya Pradesh (MP), Bharatiya Janata Party (BJP) MLAs, including former chief minister Shivraj Singh Chouhan, are reportedly holidaying at a resort in Sehore district near Bhopal. Videos showing Chouhan, MP BJP President V D Sharma, and other party MLAs enjoying a game of cricket are ubiquitous on social media. In one video, after an MLA is seen hitting the ball very hard, someone in the background says, "*Agli ticket gayi tumhari* (you are not going to get the ticket in the next elections)." The reason? The bowler was none other than Chouhan himself. Chouhan also shared some pictures on Twitter with the caption "Howzat?"

COVID-19: Lessons from history

Targeted social distancing and complete lockdown are the need of the hour

SOUMYA KANTI GHOSH & BIKRAMJIT CHAUDHURI

Data and analytics has been playing a pivotal role in today's life — from recommendations on what music we might like to hear to automated re-routing by our GPS system. But how must the power of analytics be brought to the fore to negotiate with a disease that is currently threatening the health and economic welfare of people across the globe?

If we rewind the clock to the 1850s, there are two significant examples of how early pioneers in data science made incredible impact on the world. These can provide some insights into what we might see happening next.

It was 1852, and the cholera pandemic had made its way to London. Over 23,000 people had died already. To make matters worse, unbalanced press reporting led people to believe that victims were more likely to die in the hospitals than at their homes, and that doctors would kill their patients for anatomical dissection, an outcome known as "burking".

John Snow, who is frequently described as the father of epidemiology, began to geospatially analyse the deaths that were occurring in London and isolated the source of the disease, a contaminated well that supplied water in the Soho area of London — the Broad Street Pump.

Using his analyses, he convinced local officials to remove the handle to the pump, and the cholera cases rapidly dropped, ending the spread of the disease in London.

Just a few years later, in nearly the same geography, a young nurse, Florence Nightingale, solved another significant medical problem. The British Empire was at war against the Russian Empire, and thousands of soldiers were being hospitalised. The conditions at the hospitals were horrid and the odds of surviving once admitted were less than 60 per cent.

Nightingale was data driven, and as she implemented new procedures (such as hand washing), she methodically recorded data on how each performed and analysed the results. One of the reports showed how her practices in these field hospitals reduced the mortality rates from 42 per cent to 2 per cent. And if that wasn't compelling enough, Nightingale gathered data on these same rates from the best London hospitals to show that these innovative practices needed to be instituted everywhere.

Many of these methods used to reduce the spread of disease are still practised today. Believe it or not, during that period, most believed that foul odours were the causes of how diseases spread.

These two early pioneers in data science set the stage for many that followed. In both the cases, they were domain experts — trained in medicine. They had access to data and an understanding of how to analyse the data to drive outcomes. And this pattern continues to repeat in more modern-day examples.

There are current reports out of China that one of the biggest enablers in slowing down the spread has been the use of artificial intelligence (AI). By logging where reported cases were occurring and joining that data with GPS movement of cell phones, the government was able to create analytical models to predict which neighbourhoods were most likely to have future cases. With that information, they could rapidly quarantine and put measures in place to reduce and/or stop the spread of the disease. While this level of data sharing would likely not occur in many other countries, early indications suggest that the actions have meaningfully reduced the impact of the disease, with China already reporting fewer new cases than several other countries.

This is a classic case of ensuring targeted social distancing leveraging data and analytics to the core in conjunction, a practice that might be mighty useful in the India context. While shutting down the whole of a metro city such as Mumbai or Delhi completely is possibly a difficult option, exercising extensive social distancing in certain impacted neighbourhoods and pockets of the city identified using algorithmic interventions can go a long way in flattening the curve and restricting the infection from becoming widespread.

AI-based algorithms could also be very helpful in providing information about patients who have already been diagnosed with COVID-19 or who are suspected of being infected. Monitoring these patients remotely with clinical-grade sensors and collecting data on numerous physiological signals could improve clinical decision-making for providers, and the process can also help them learn more about the disease so they can better treat it.

The learning from the AI-based algorithms could then be combined with other information such as laboratory and imaging tests to create a composite mechanism that could help clinicians understand the disease better, and ultimately lead to better detection or prediction of the early signs of infection.

There are clinical-grade wearables now available that can monitor patients with confirmed or suspected COVID-19 who are under quarantine, whether it's in a home or health care setting. The wearable biosensors capture multiple physiology signs. And when combined with advanced analytics, there is a huge opportunity to detect physiology changes indicative of clinical deterioration that require immediate medical intervention.

In the end, however it must be recognised that we are currently in a problem situation. Unfortunately, in India the official use of artificial intelligence and big data in, say, estimation by regulators are still limited. It may be a tad difficult to practise targeted social distancing immediately. It may be worth considering complete lockdown for at least two weeks.

This must include, movement restriction (domestic and international) for a certain period throughout the country, including cancellation of all religious and social activities, except for groceries stores. Complete closure of all government and private offices, schools and colleges excluding essential services. Even for essential services, restricted office hours/timings must be enforced.

The address by the PM of observing a self-imposed "Janta Curfew" on March 22 could be just a nice precursor to test our resolve of self-restraint in the quest for a better outcome in fighting the coronavirus.

Ghosh is group chief economic advisor, State Bank of India; Chaudhuri is senior vice-president, Datamatics Global Services. Views are personal

INSIGHT

Collaboration & self-reliance...

...learnings for the automobile industry from the coronavirus emergency

RAJAN WADHERA

The global GDP growth in the beginning of 2020 was estimated at 3.3 per cent compared to 2.9 per cent in 2019 and was being hailed as a silver lining for global industry. The spread of the novel coronavirus (n-CoV) in China was initially not seen to be a major threat. However, as the days progressed, it spread, impacting over 75 countries, putting markets at risk besides affecting international trade and services. According to the World Health Organization (WHO), the n-CoV has now become a global emergency. China is the world's second largest economy and accounts for 16 per cent of the global exports. The ripples of the pandemic are also being experienced in India, as we import about 18 per cent of merchandise we consume, 67 per cent of electronic components and 45 per cent of consumer durables from China.

The automobile industry imports about 10 per cent of the raw materials and key auto components like engine-components, transmission, steering, alloy wheels and interiors from China. Any disruption in the availability of these parts is likely to critically hamper production across all segments — passenger vehicles, commercial vehicles, three-wheelers, two-wheelers and gravely affect electric vehicles (EVs).

In anticipation of the Chinese New Year, the Indian auto industry had maintained some inventory at the beginning of the year, but with the current lockdown in China, the supply of BS VI vehicles is likely to get impacted. The auto industry has invested around ₹70,000 crore to graduate to BS VI emission levels. With the GDP growth and manufacturing growth slowing, the auto industry is going through a tough time and is depreciating at -15 per cent in F20 year-to-date. The outbreak at this juncture of transition is likely to create additional challenges for the industry.

Manufacturers are exploring alternatives to fulfil their supply chain demands. They would also take a substantial amount of time to reach a stable production scale, as these components would need regulatory testing. The auto industry is grateful to the government for issuing a notification of force majeure for coronavirus and 24x7 clearance of shipments at all customs formations. The government-industry coordination at this critical juncture was extraordinary.

All stakeholders got into a huddle and worked out recommendations, special approvals/waivers to expedite the clearance of the parts at various airports and seaports. Instead of reeling under the outcome of a sudden emergency, we must draw some learnings from this situation and focus on implementing these learnings in the industry to be better prepared for such unforeseen scenarios in the future.

The BS-IV emission regulations were implemented across India in April 2017 and the industry was pushed into upgrading to BS-VI emission standards in just 36 months. In no other country has the automobile industry taken just three years to upgrade two-levels of emission norms. Countries that are Euro 6 (the BS-VI equivalent), have taken typically five-six years to upgrade from Euro 5. That gives the industry enough time to plan sourcing of components, develop new sources of inputs/raw materials inside the country.

We had just three years to develop BS-VI engines and exhaust after-treatment systems. That small window did not allow us to build supply chains in India. Also, as the technology to meet BS-VI emissions are very high-end, the industry had no option but to work with global suppliers. Some parts being capital intensive, it did not make commercial sense to manufacture and source from India. Global suppliers of these parts have capacities in China and sourcing from China makes commercial sense. All this leads to high foreign exchange outflows and dependence on China.

Policymakers need to involve the industry and understand their needs/sensitivity to create a regulatory timeframe that is beneficial to both automakers and the country. Such a collaborative way of working will give a boost to local manufacturers meeting the ambitious "Make in India" programme while also minimising the cost of import.

Improving our logistics infrastructure will play a vital role in achieving the desired growth in the manufacturing sector. The turnaround time at ports, movement of goods across the country through fast rail and road networks will directly result in an enabling and conducive environment for companies in India and abroad to set up manufacturing units in the country.

These learnings will help the auto industry emerge more agile and capable in the future. As India graduates into becoming a global leader in the design and manufacturing of automobiles by making our vehicles cleaner and safer, the industry is committed to the mission of "Building the Nation, Responsibly".

The author is president, Society of Indian Automobile Manufacturers

LETTERS

Arresting the slide

This refers to "COVID: Flattening the (economic cost) curve" (March 19). While the impact of the deadly virus is not quantifiable at present because of the related costs to contain the disease and the erosion in the value of the assets of the economy are sharply climbing, it is essential to face the situation to keep the economy from slipping into recession.

In order to combat the accelerating downshift, enormous investments are needed in areas like health care, core industries and agriculture for which availability of capital at a lesser cost is essential. The lending rate of the banking sector is not conducive to promoting investment and in fact, the Monetary Policy Committee must look for a more reasonable cut in the repo rate ahead of the bi-monthly meeting.

Supply of institutional credit on liberalised terms, allowing moratorium to borrowers incapable of servicing the debt, extending the timeline for the restructuring of the loans outstanding against the micro, small and medium enterprise borrowers are essential to improve the growth of investment as well as to sustain the quality of the assets. At a time when banks are in crisis because of the poor quality of assets and aggressive mobilisation of the business by some of the financial institutions without adhering to the ethical and disciplined practices, the situation warrants strengthening the oversights on the banks to sustain the quality of the balance sheet of the lenders.

The cash flows of the various segments of the economy have been extensively impacted by the deadly disease and therefore to enable them to pay the statutory dues, sufficient time has to be provided. This will help them avoid the accumulation of the dues and the resultant litigations.

VSK Pillai Kottayam

No winners

This refers to the editorial "Take the call" (March 19). The star-crossed relations between the telecom companies and the revenue department of the government are unlikely to change. In the retrospective tax issue, the Supreme Court was persuaded by the view that the business connection rule did not apply to capital transactions. Subsequently, the apex court held a similar view over revenue evaluation for taxation as that was the legal position arising out of the government's own ham-handed construct. The court's latest observations — on the government's fresh submissions over adjusted gross revenue — have been also been severe.

The malady is quite basic — the inability to foresee the explosive impact of modern technology, both by service providers and the government. In 2004, the telecom companies had gross revenues pegged at ₹4,855 crore and by 2015, it had jumped to ₹2.37 trillion. The government, for its part, used law enactment to make up for its lack of foresight. Caught in a bind, the government must be ruing the ineptness of its blindsided *babus*.

R Narayanan Mumbai

Judicial dilemma

The editorial "Judicial independence" (March 17) can be seen from two perspectives. Did former chief justice of India (CJI), Ranjan Gogoi, deserve to be nominated to the Rajya Sabha by the President? The edit supports it on the basis of suitability but links it with two (quoted therein) verdicts (and perhaps others like Assam NRC, Sabarimala) in favour of the government and sees the nomination, by implication, as a reward for it. In other words, it warns the judiciary to refrain from taking pro-government verdicts if they are perceived as favouring "majoritarian instincts of any sorts" and advises that it should put aside the touchstone of objectivity and evidence on record. (The court decided on the Ayodhya temple land issue and the Rafale deal on the basis of believable proofs. In the former case, it decided legal rights of the party having proof of longer possession and did not think the secondary source of information as believable in the Rafale matter.)

Moreover, all the controversial cases were decided by a bench and not the CJI alone, and were mostly unanimous. To blame the ex-CJI for those implies that other judges were meek followers in a system in which the CJI is just first among equals.

The second perspective is: Was it too early for the ex-CJI to accept the nomination (just after four months after his retirement)? The answer is yes. Much will depend on how soon the government utilises his "vast experience and erudition" in the realm of jurisprudence. Will he bring about judicial reforms?

Y G Chouksey Pune

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HAMBONE

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Test, test, test

Govt must enable pvt participation in COVID preparedness

There is little doubt that the most important aspect of epidemic management at this point for India is ramping up testing swiftly. As of now, the number of positive cases of infection by novel coronavirus in India is not very large. But the problem is that this might well be an artefact of relatively limited testing. This is in spite of the fact that the government has repeatedly insisted that there is a fairly large buffer of test kits. If that is the case, testing should be ramped up. It is possible that one reason is that the authorities wish to preserve this buffer in case the community spread of novel coronavirus becomes undeniable and large — in other words, if individuals who have not travelled abroad or are not linked to a previously known case begin to develop symptoms of COVID-19. This is a misguided strategy. In fact, the best-use scenario, as observed in countries like South Korea, is massive testing early on.

For the mass-use of testing kits, they must be both cheaper and widely available. For this to happen, there is no doubt that the private sector will have to be involved. It is extremely unlikely that the state sector will be able to produce what is required purely on its own. Yet it has been reported that private companies that wish to become part of this production process of test kits are facing major hurdles in getting the required approvals. Surely this should not be an additional hurdle at this point in time? India's usual and problematic approach to the ease of doing business cannot be permitted to hold up matters of such supreme national and humanitarian importance. It appears that several companies have run from pillar to post, seeking validation of their test kits, but only the National Institute of Virology, or NIV, is capable of providing the necessary validation — and the NIV appears to be overrun at the moment. The immediate task for the health authorities must be to designate alternative reputable sources for this necessary validation and get kits out to where they are needed. If necessary, the government must agree to purchase them in bulk at a fair price — or subsidise their purchase by private testing labs in such a way that anyone who wishes to be tested can be tested. The Indian Council of Medical Research had suggested free testing for novel coronavirus, but this will naturally lead to rationing or refusal by the private sector in the absence of government subsidies.

This delay should be a salutary lesson and one not repeated in other aspects of pandemic preparation. India has some time to ramp up its abysmally low critical care bed numbers — there are only 2.3 critical care beds per 100,000 in India, well below the rest of the world. Naturally, both these and quarantine areas can be created at short notice in partnership with the private sector. The highest levels of the government must take control of this process to ensure that there are no further bottlenecks of the sort that have affected test kit production. India needs more testing capabilities to minimise the damage caused by COVID-19. So far the government has done well to take preventive measures. Intervention should now move to the next stage.

Wrong call

DoT asking for mass data records is worrying

The Cellular Operators Association of India (COAI), the industry body that represents telecom service providers, has questioned repeated requests for mass call data records (CDRs) by the Department of Telecommunications (DoT). According to the industry body, CDRs were sought by the DoT for February 2, 3 and 4, for every mobile subscriber in Delhi. Similar mass CDR requests have been made for specific days in recent months in the Andhra Pradesh, Haryana, Himachal Pradesh, Jammu and Kashmir, Kerala, Odisha, Madhya Pradesh, and Punjab circles. This leads to apprehensions about a mass surveillance programme, violating the privacy of citizens on a large scale. In particular, anti-Citizenship Amendment Act agitations were on in Delhi during early February and there was also intense political campaigning, given the impending elections.

The ad hoc requests violate the norms laid down in 2013, according to which such a request for CDRs can be made only by an officer of the rank of superintendent of police or above, and the district magistrate must be informed of the CDRs being obtained every month. The sheer number of the CDRs requested is unusual. The DoT has subsequently clarified that it is trying to study the pattern of call drops, and stated that the data is anonymous and being analysed via "big data" programmes. Unfortunately, that explanation does not allay anxieties.

Such requests for mass CDRs have been made for several months, according to the COAI, and the explanation was provided only when information about these entered the public domain. The DoT, which is a government body, asked for the CDRs. However, technical parameters like call drops and network quality are normally studied and reported by the independent regulator, the Telecom Regulatory Authority of India (Trai), which has never asked for mass CDR data. In any case, it is not necessary for studying call drops. It is also not easy to completely anonymise such records. Even if this is attempted, it is possible that such a database of anonymised records can be "de-anonymised" with little effort. Phone calls are tied to location, and every handset has a unique handset number, even if the mobile numbers and names are redacted. Those records can be easily misused.

Unfortunately, there are no safeguards to protect the privacy of citizens against surveillance by the state, despite the assertions that privacy is a fundamental right by the Supreme Court in August 2017. Even the proposed Personal Data Protection Bill gives state agencies a blanket exemption to collect data on citizens, under opaque and broad-ranging clauses. In effect, this means that the state may track and monitor citizens as it pleases. The repeated requests for CDRs on a mass scale suggest some arm of the government, not necessarily the DoT, may be doing just that. The Personal Data Protection Bill as initially drafted by the Justice Srikrishna Committee incorporated some safeguards to prevent this sort of violation of privacy by the state. However, these safeguards were removed when the Bill was redrafted. In its present format, it has been described as "Orwellian" by Justice Srikrishna himself. Even that diluted legislation is still pending, more than two years after the court delivered its landmark judgment. In the absence of safeguards, India may easily slide into being a surveillance state, with privacy being violated repeatedly, on a mass scale.

ILLUSTRATION: AJAY MOHANTY

Disjointed affairs of India

Whether on the issue of Kashmir, COVID or CAA, the government's strategy lacks clarity

Indians find themselves in the unusual position of having a charismatic and strong leader at a time in history when leadership is required but is missing. Even some in his large fan base are likely to admit that the country is in drift and entirely divided when it is required to come together to face a succession of crises that threaten to become a catastrophe.

For more than three months, India's Muslims have been in rebellion against a law that seeks to make them stateless at best and incarcerated at worst. There is no demand for this law and there is no data to show that India is being overrun by undocumented migrants. And yet, the Union government is marching us towards a future that has alarmed the world.

Across the country there are large groups of people gathered at every hour of the day and night, remaining there to show their resolve. No government official has visited them or spoken to them directly so far. On the contrary, there has been an open contempt of them, and a visceral hatred of the protesters, what they stand for and their faith. But at last count there were more than 135 of these gatherings and they will not dissipate on their own.

Indeed, they will gather momentum and become more passionate in two weeks' time when government officials begin to knock on doors, seeking information that will be used to deal with people in the same way as they have been dealt with in Assam.

Even at the most pacific of times, this would be an inadvisable course to take for a democratic nation with a minority of 200 million, but in these times? The world's economy is in meltdown (an overused phrase but appropriate at this time) and it is fighting a fast-spreading plague for which there is no cure. Even at this time, the Modi government is carrying on with its ideological agenda. However, it is doing this without any control over events and without any leadership or direction.

It has been more than 100 days since the passage of the Citizenship Amendment Bill. But the rules for the new law have not yet been framed. That means it cannot be implemented. Challenged by provinces and groups and individuals for constitutionality, the Modi government chose not to defend it vigorously but to seek more time. A willing (I would venture to say complicit) judiciary has played along and kicked the can down the road. One fails to understand why Mr Modi did what he did. The Citizenship Amendment Act (CAA) was pushed through Parliament with alacrity and strong intent as the first step towards a nationwide National Register of Indian Citizens. But having run into the wall of protesting Indians, it appears to have been shelved. The resolve has melted.

AAKAR PATEL

Amit Shah's bombast has been replaced with dithering: Mr Modi's exact words on an issue that has torn the nation apart and invited global intervention are that "NRC has not yet been discussed". This is abdication, not leadership.

The Assam NRC that threw up 1.9 million people declared stateless was also shelved with the assurance that it would be redone with the CAA (i.e., having filtered out the Hindus from it). But there is no sign of that either. These 1.9 million people are adrift and have had to live their lives for more than six months, and into the foreseeable future, not knowing if they and their children will be in jail soon. This is cruelty beyond comprehension— and remember, that the majority of these are Hindus.

There are 799 people detained in Assam's camps at the moment. Of whom 95 have been jailed for more than three years for no crime other than having failed to prove to the satisfaction of a contract employee that their citizenship is genuine. And 26 have died in the last three years. The point here is that because Mr Modi has dawdled on the CAA after having rushed it through, the Hindus in these camps (who should find it easy to come out now that the CAA is law) still cannot because the rules have not yet been framed.

Elsewhere, in Kashmir there is no strategy for what is to come. Article 370 was hollowed out in a flash of inspiration (again it was challenged and again the government sought more time and again the judiciary gave it). The move has brought direct intervention from the US House of Congress for the first time in our history. The government said this week that Kashmir would have its special status restored and discussions were on to bring it back to statehood. To what end then did we have all the drama and deliberately bring opprobrium on ourselves? Why invite the world to see that we had gutted a democratic polity and put elected leaders in jail and the entire population in various stages of virtual confinement?

The same sense of drift and lack of ideas have followed the national response to the coronavirus. In the same nation where schools and colleges have been closed, the Uttar Pradesh government is promoting a religious gathering and expects to bring a million people together. This is madness and the world will take note of it. The coronavirus is a global problem and there will be responsible states and irresponsible ones. The world will view Indian visitors and the state with extreme prejudice if we are seen to be endangering the planet and its people with our casual stupidity.

One can carry on and on with the sort of things that we seem to be doing for no particular reason and without any long-term thinking. The decision to nominate former Chief Justice Ranjan Gogoi to the Rajya Sabha, and its ramifications for the way the judiciary will be seen in India and abroad would require more space than is available here. But even briefly: A man is accused of sexual harassment, absolved under opaque circumstances, the accuser's family then abused, following this there are judgments in favour of the government from the accused, the survivor is reinstated and Justice Gogoi given a sinecure. This is an appalling sequence of events and will have repercussions. It should not have been pursued at the best of times but for some reason it has been at the point when we are mired in trouble.

The nation needs to deprioritise all the things that have been deliberately foisted on us in the last few months. We need to normalise and the only way to do so is to immediately call off the citizenship law madness, to immediately end the Kashmir drift and to focus on the contagion called Covid-19. We need to come together as a people to fight this new threat, and that bringing together can only come from the prime minister. If there was ever a time and need for all of us, whether or not we voted for his party, to see him lead us away from disaster, it is now.

What COVID-19 means for international aid

We are still in the early stages of dealing with COVID-19. Yet, it is already clear that this new coronavirus will have long-lasting effects on the global economy, how we deal with pandemics, and perhaps even the architecture of international aid. This is because the COVID-19 pandemic is putting the spotlight on one of the less-noticed distortions of the international aid system: It does exactly the opposite of what the evidence requires.

To understand why, we need to distinguish between two kinds of aid. Traditional country lending seeks to improve outcomes in individual developing countries, while financing of global public goods (GPGs) aims to improve global welfare. The latter includes the development of technologies to promote agricultural productivity, actions to prevent climate change and mitigate its impact, knowledge creation, information provision, and, of course, preventing and dealing with pandemics.

Donors, therefore, need to decide how to allocate their funds between these two types of aid. Clearly, this decision should be informed by research regarding the relative effectiveness of country lending and financing of GPGs.

The evidence concerning country lending is highly contested, with diehard aid sceptics in the tradition of Lord Peter Bauer, Milton Friedman, Angus Deaton, and Bill Easterly opposed by equally strong advocates such as Jeffrey D Sachs, Bill Gates, and Bono. A fair reading of the evidence would be that even if aid scepticism is overdone, it is hard to find compelling evidence that country lending has substantial long-term benefits. (This is also the conclusion that Raghuram G Rajan and I reached in a series of papers on the impact of aid).

On the other hand, financing GPGs is incontrovertibly beneficial. For example, the activities that led to the Green Revolution — not only the initial discoveries but also their subsequent adaptation by a network of publicly funded agricultural research institutes around the world — yielded substantial global returns. So did the eradication of smallpox. The financing of advance market commitments that guarantee returns for pharmaceutical companies making important medical discoveries — an idea associated with the Nobel laureate economist Michael Kremer — is another example of an invaluable GPG.

But despite the clear balance of evidence, an overwhelming proportion of aid is devoted to country lending, with only a fraction allocated to financing GPGs. Although there are no definitive estimates, Scott Morris at the Center for Global Development says that only 15-25 per cent of the World Bank's overall lending portfolio is devoted to GPGs. And even on a generous interpretation of what constitutes a GPG, that share would rise to only 35 per cent. Moreover, this proportion is even smaller in the case of the world's poorest countries: The International Development Association, the World Bank's concessional-lending arm, directs only 11 per cent of its funding to regional and global public goods.

ARVIND SUBRAMANIAN

What about other major donors? We do not know the share of funding that private philanthropies such as the Bill & Melinda Gates Foundation, which have become important international players, allocate to GPGs. But we do know that the most significant recent entrant to the aid-giving club — China — is devoting almost all its resources under the Belt and Road initiative to financing infrastructure in borrowing countries, and not to GPGs.

It is not difficult to understand why the allocation of international aid is so skewed in favour of country lending. This is a conspiracy in which there are perpetrators but no apparent crime.

For starters, donors love to wield the power that comes with lending directly to developing countries and dictating priorities aligned with their own preferences. And recipient governments are equally complicit; after all, more cheap financing means more spending, which is always helpful to political incumbents.

By contrast, the gains from financing GPGs are nebulous, distant, and not clearly traceable to donor actions. For borrowing governments, too, the choice between cheap cash today and uncertain benefits down the line is a no-brainer.

These distortions have always been a problem. But as the COVID-19 pandemic has made abundantly clear, the need for GPGs is proliferating, and private markets will by definition not finance them. To get a sense of the magnitude of resources required, consider the recent estimate by Princeton University's Ashoka Mody that Italy will need about $600-800 billion in external assistance to help it respond to its coronavirus calamity. And this is just the amount needed to combat one global public "bad" at one point in time in one relatively rich country.

In a world of infinite resources and unbridled goodwill and generosity, donors could always ramp up financing of GPGs without reducing country lending. But in the real world, the envelope for giving is shrinking — meaning that distorted allocation incentives will have serious consequences.

The message for the international donor community — not just traditional lenders such as the World Bank, but also emerging actors such as private foundations and China — is clear. The aid architecture needs a radical revamp so that massive amounts of money, possibly hundreds of billions of dollars annually, can be devoted to global public goods. And some of this will have to be financed by reducing existing country lending.

By bringing practice into line with the evidence, the world could start addressing the massive challenges of the future in a serious way. Like today's COVID-19 pandemic, these challenges will be devastatingly contemptuous of national borders and nativist governments.

The writer is a former chief economic adviser to the government of India, a non-resident senior fellow at the Peterson Institute for International Economics.
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The long road to prosperity

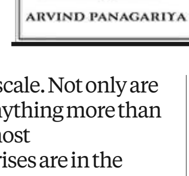
BOOK REVIEW

DHIRAJ NAYYAR

The last 300 years of India's economic journey, characterised by colonialism, socialism and a reluctant capitalism, are an aberration in the country's long history. Between 1 AD and 1700 AD, India accounted for 30 per cent of global GDP for the first 1,000 years and then 25 per cent of world GDP for the next 700. With a firm embrace of reformist, pro-market policies, India can return to course as one of the pre-eminent economies of the world in quick time. This is the essential thesis of eminent economist Arvind Panagariya's *India Unlimited: Reclaiming the Lost Glory*, his first book on India after his January 2015-August 2017 stint as the first vice chairman of the NITI Aayog.

Unlike many recent books written by experts who have departed government, this is not a salacious account of the author's time in government. Neither is it a paean to the government. All credit to Mr Panagariya for retaining his integrity, personal and intellectual. This is a scholarly work, but it is different from his earlier books on the subject because it combines academic rigour with insights that can only be gained by sitting at the high table of policymaking.

By the author's own admission, this is not an exhaustive account of India's economy. It addresses key transformation challenges and priority areas for policy change. Given all the noise about job creation, Mr Panagariya rightly addresses the problem of underemployment in agriculture and in industry and services. India's problem is not unemployment, but low productivity, low-wage employment — people don't have good jobs. Most readers would be familiar with the litany of problems in the agriculture sector, the least reformed sector of the economy, as also with the many hurdles in building a competitive manufacturing sector.



INDIA UNLIMITED: Reclaiming The Lost Glory
Author: Arvind Panagariya
Publisher: HarperCollins
Price: ₹799

But three analytical points stand out. First, agriculture and manufacturing have a similar binding constraint. There is no scale. Not only are farms too small to do anything more than subsistence farming, most manufacturing enterprises are in the micro (rather than small and medium) category without the scale to participate in regional or global value chains. These small farms and firms employ a disproportionately large number of people with low productivity.

Second, no matter how much agriculture is reformed, it cannot grow fast enough to alleviate the incomes of all those currently dependent on it.

Third, India cannot prosper with a services-only strategy. Manufacturing is a necessary complement and despite the pessimism about global trade and the fourth industrial revolution, there remains time and space for India to grow a labour-intensive manufacturing sector, just as the East Asian economies.

Mr Panagariya has several suggestions on how this can be achieved through policy intervention, including large Autonomous Employment Zones, India's version of Shenzen. He does not recommend import substitution via raising trade barriers. Instead the focus ought to be on liberalising labour laws, tax reform and dropping the insistence on a strong rupee.

The chapters in the section "Road to Reforms" are interesting for their choice of subjects. Apart from export and manufacturing-led growth, the author has chosen urbanisation, financial sector reforms, higher education reforms and governance with disinvestment, electricity distribution and some other topics combined into a single chapter under the miscellaneous category. Again, as with the diagnosis of the transformation challenges, Mr Panagariya hits at the fundamental, almost binding, constraints that need urgent solutions. The financial sector, whether banking or the securities market, is the heart of any body economic. Those looking for sensible solutions to India's non-performing asset problems or the future of public sector banks would find a balanced set of arguments in these chapters. Similarly, sensible suggestions are made to overhaul higher education. The author suggests that India look at the UK model rather than the US one because that may present an easier pathway to change than the US system which is very differently structured. In the end, it is reasonable to ask why this list of reforms, several of which are well known, is not implemented. Mr Panagariya blames the socialist hangover in the polity and an obstructionist or status quoist career bureaucracy which, in his view, grinds to slow failure a reformist PM's best intentions.

One wishes that the author had devoted a little more space to the political economy of reform. Which constituencies can be mobilised to support reform? Could a new generation of young entrepreneurs in a vibrant startup ecosystem combine with enlightened elements in the older generation to form a pressure group?

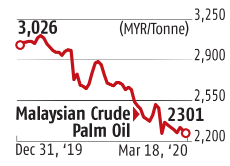
The reviewer is chief economist, Vedanta. He was with NITI Aayog when Panagariya was its vice-chairman

Business Standard

MUMBAI | FRIDAY, 20 MARCH 2020

The Smart Investor

QUICK TAKE: PALM OIL TO REMAIN ON A SLIPPERY SLOPE



Crude palm oil (CPO) prices have declined by 24 per cent so far in 2020 on reduced demand from importing countries following the outbreak of COVID-19. As trade restrictions continue, CPO prices are likely to remain under pressure in the medium term.

"I don't think long term investors should want to shut down markets or trading. If, in the long term, markets are a weighing machine, you should welcome extreme mispricing"

DEEPAK SHENOY,
Founder, CapitalMind

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

Rupee breaches 75/dollar

Hits intra-day low of 75.30

ANUP ROY
Mumbai, 19 March

The Indian rupee crossed 75 a dollar on Thursday, responding to the risk-off sentiment in which all currencies witnessed a rout against the greenback, with oil prices crashing amid the deepening coronavirus pandemic.

The rupee, which hit an intra-day low of 75.30, closed at 74.99 a dollar, according to *Bloomberg*, falling 1.01 per cent. However, the Clearing Corporation of India said the rupee ended the day at 75.12 a dollar.

A thinly traded market is compounding problems for the rupee, as any minor lumped-up demand for the dollar or slight dollar sales by the RBI are changing the course of the exchange rate. "We are in uncharted territory now. All currencies are falling; the rupee is falling too. But the rupee has performed much better than other currencies," said Satyajit Kanjilal, managing director at Forexserve.

The rupee might continue to depreciate in the coming days, sources said, adding that though the RBI had enough reserves to arrest a slide, it would unlikely want to use them in a hurry.

The dollar index, which measures the greenback's strength against major global currencies, crossed 102, the highest since January 2013, on risk-off sentiment as investors rushed to liquidate their investments globally in search of safe haven assets such as US Treasury.

The pound fell to its lowest level since 1985. The Australian dollar also hit a multi-decade low even as crude prices fell to $22 a barrel.

India's bond yields also climbed up as foreign investors sold their holdings in local bonds. The 10-year bond yield closed at 6.41%, up from its previous close of 6.29%

The rupee's fall was sharp, but not as much as other currencies in the region. The Indonesian rupiyah fell the highest in the region, tumbling 4.34 per cent in a day, while the South Korean won fell 3.12 per cent.

"Risk-off sentiment is pushing up the dollar index. Emerging markets currencies, including the rupee, will remain under pressure for some more time," said Gopal Tripathy, head of treasury at Jana Small Finance Bank.

"Even as the RBI has enough reserves, it is unlikely that the rupee will strengthen significantly from the current level, if it must have to strengthen," Tripathy said.

Currency dealers say the RBI did intervene to limit the rupee's fall, including in the futures segment.

According to IFA Global, a currency consultancy, importers must hedge their provision as the rupee crossed its record lows.

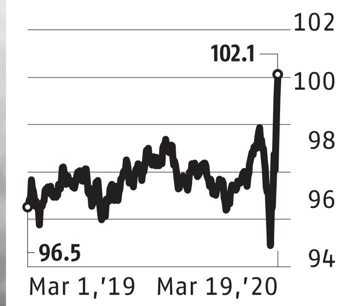
"The markets are now dealing with a situation that is not easy to quantify or discount. The easiest choice is to ride out the storm by seeking out safe havens," said Hitesh Jain, lead analyst at YES Securities.

According to Jain, volatility will persist, even as the falling current account deficit due to low oil prices and stronger balance of payments is a positive.

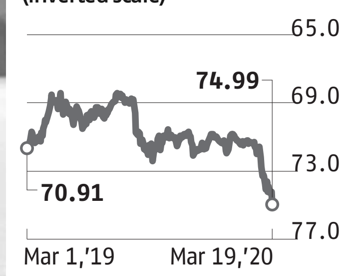
The rupee can reach even 76 a dollar in the next one to two moths, YES Securities expected.

Meanwhile, India's bond yields also climbed up as foreign investors sold their holdings in local bonds. The 10-year bond yield closed at 6.41 per cent, up from its previous close of 6.29 per cent even as the RBI announced secondary market bond purchases of ₹10,000 crore on Wednesday to soften the yields.

DOLLAR INDEX



HISTORICAL TREND (₹ VS $)
(inverted scale)



Markets test demonetisation levels before a small recovery

SUNDAR SETHURAMAN
Mumbai, 19 March

The benchmark Nifty on Thursday slipped below 8,000 — the levels last seen in the aftermath of demonetisation — before recouping two-thirds of its losses, thanks to a sharp recovery in index heavyweights HDFC Bank, Infosys and ITC.

The 50-share index of blue-chip companies dropped as much as 7.5 per cent to 7,833 before ending at 8,263, with a loss of 2.4 per cent, or 205 points, over its previous day's close. The Sensex after hitting a low of 26,714, ended at 28,288, down 2 per cent, or 581 points. Experts said the recovery could prove to be fragile if the global selloff continues.

Most stocks continued to see volatile moves because of the uncertainty created by the coronavirus pandemic. The markets across Asia continued to fall even as global policymakers announced measures to limit the damage caused by the crisis. European stocks reported a late recovery and ended in green. US markets, too, were up. The number of packages over the few days, however, has proved ineffective to stem the fall.

"Policymakers have already spent a lot of ammunition. The easy solution of monetary easing has been used by them multiple times, and that has helped only temporarily," said Deepak Jasani, head retail research, HDFC Securities.

Some of the latest measures announced include the European Central Bank's €750 billion ($815 billion) debt-buying programme and the US Federal Reserve's launch of a programme to support money-market mutual fund. While India, too, has taken measures, the effort pale in comparison to the other nations, said experts.

"India is facing the pandemic when its economy is weak. The policy response has a lot to catch up, rapidly. Delaying rate cuts at present is costly while hiking oil taxes and defending the rupee seem ill-suited. Decisive monetary and fiscal expansion and dealing with the dislocations associated with lockdowns is urgent," said Edelweiss in note.

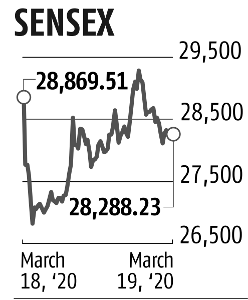
Market players said the recovery in the Nifty from the day's low of 7,833 was crucial. "The levels of 7,900 and 7,800 have a special significance. On the day of demonetisation, the Nifty saw a level of 7,890. Technically, until the market is above the levels of 7,800, we can expect a gradual recovery towards 8,800 levels. Below the level of 7,800, we could see the levels of 7,500 or 7,300," said Shrikant Chouhan, technical research analyst at Kotak Securities.

US, EUROPE INDICES REBOUND

		Mar 19, 2020	Change 1D(%)
The US (23.06 IST)			
DOW JONES	US	20,047	0.75
S&P 500	US	2,415	0.71
Nasdaq	US	7,196	2.96
Europe			
FTSE 100	Britain	5,152	1.4
DAX	Germany	8,610	2.0
CAC 40	France	3,855	2.68
Asia			
Straits Times	Singapore	2,311	-4.7
Hang Seng	Hong Kong	21,709	-2.6
Nikkei 225	Japan	16,553	-1.0

Till 11:06 pm; Compiled by *BS* Research Bureau
Source: Bloomberg

SENSEX

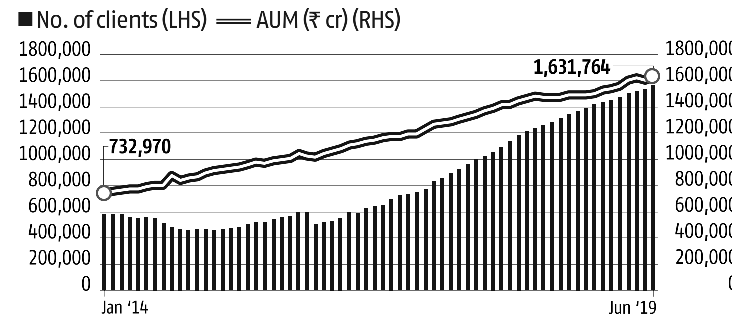


NOSEDIVING

- Nifty fell to 7,833 intra-day before a recovery
- Sensex slipped to 26,714 but later recovered a bit
- All the BSE sectoral indices, except one, ended the sessions with losses

PMS players take a hard knock

NARROWING GAPS



Note: Includes EPFO/PF assets
Source: Sebi

ASHLEY COUTINHO
Mumbai, 19 March

The bloodbath in the markets has come as a body blow for PMS (portfolio management services) players, which were already reeling from the impact of recent regulatory changes.

A sizeable number of PMS schemes lean towards mid- and small-caps in their portfolio and run concentrated portfolios of 15-20 stocks. A concentrated portfolio increases the potential of higher returns but can exacerbate the fall, making exit difficult for investors.

"Unless strategies are well-diversified and comprise quality stocks, the schemes are likely to take a greater hit. If the index has fallen 25 per cent in the past few sessions, PMS schemes would have fallen 20-30 per cent more," said Daniel GM, founder, PMS Bazaar.

The NSE Midcap 100 and the NSE Smallcap 100 indices have fallen 25 per cent and 30 per cent, respectively, this month to their lowest levels. The midcap index is currently at a four-year low, while the smallcap index has hit a six-year low.

This is the second time in two years that PMS players have had to take a hard knock to their portfolios — mid- and small-cap names had seen a significant correction in early 2018 as well. According to experts, volatility in PMS schemes can be higher than that in mutual fund schemes in times like these. "While large caps have seen a significant correction, PMS schemes not holding quality names could take a greater hit. The fall could also rattle new investors in PMS schemes who started putting in money in the last year or two," said Ashish Shanker, head (investments), Motilal Oswal Private Wealth.

PMS assets have doubled in the past five years to ₹18 trillion as of January 31, 2020. A large portion of this money is in discretionary schemes, wherein the portfolio manager manages the fund of each client based on his/her needs.

"These are extraordinary times and requires extraordinary caution. The aftereffects of the coronavirus pandemic may throw the earnings potential of companies for the next three quarters out of whack. So, investors should stick with portfolio managers who have robust processes and risk framework in place," said Siddhartha Rastogi, managing director, Ambit Asset Management.

He said investors ought to gravitate towards unleveraged businesses which have dominant market share.

The regulator recently increased the minimum ticket size to ₹50 lakh, from ₹25 lakh earlier. It had capped fees and loads that can be charged to clients, as well as commission paid to distributors.

The number of new accounts being created has already fallen by more than 50 per cent after these changes came into effect, said industry players. "The reduction in commissions and adverse market conditions will make it difficult to sell PMS among high net-worth individuals, which is why we may see consolidation among PMS players in the coming months," said Shanker.

"A lot of portfolio managers who grew in the last decade may become history and new ones who bring technology and institutional intelligence will thrive," said Rastogi.

In 2007, several PMS schemes compromised on quality to generate alpha by investing in mid- and small-cap stocks. This caused the PMS portfolios to go into a tailspin after the market crashed in 2008 and it became difficult for portfolio managers to exit some of these stocks because of poor liquidity and the quantum of holding. A lot of PMS outfits went bust between 2008 and 2013 after seeing years of continuous net outflows.

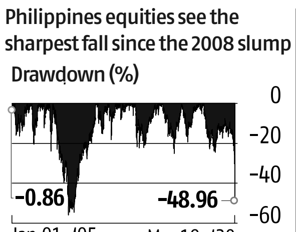
This upheaval had forced Sebi to tighten PMS regulations. In 2008, it banned the pooling of PMS assets, wherein fund managers pooled investments from clients and invest on behalf of the whole group. In 2010, the regulator mandated that profit-sharing or performance-related fees should be charged based on a 'high watermark principle' over the life of the investment. This meant if the portfolio value declined and then recovered, the manager did not earn fees until all the losses had been made up. Ticket sizes were increased from ₹5 lakh to ₹25 lakh.

Philippines crash shows risks of market shutdown

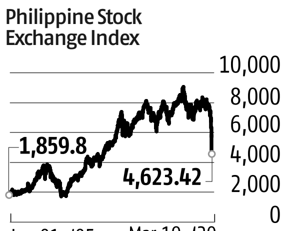
STEEP DIVE

Philippines equities see the sharpest fall since the 2008 slump

Drawdown (%)



Philippine Stock Exchange Index



Source: Bloomberg, Philippine Stock Exchange

BLOOMBERG & SAMIE MODAK
Mumbai, 19 March

Philippine stocks' record 13.3 per cent slump following an unusual two-day shutdown signals the risks associated with controversial moves to halt trading.

The Philippine Stock Exchange Index plunged as much as 24 per cent in Manila before closing at the lowest level since January 2012, bringing its valuation to the lowest level in 11 years. The declines came ahead of the central bank's decision to cut its key rate by 50 basis points and amid concerns that a 27 billion peso ($528 million) fiscal stimulus won't be enough to tackle the spread of the coronavirus.

"The two-day shutdown closed the doors to investors who were headed for the exit," said Manny Cruz, strategist at Papa Securities. The closure of equity, currency and bond markets started on Tuesday, following the government's decision on Monday to widen a month-long lockdown of the capital region to cover the country's main Luzon island, home to at least 57 million people.

"We knew there will be a lot of selling, that foreigners are going to sell, but we have to open and show the world that the Philippine economy is running despite the scary atmosphere," said Wilson Sy, a director at the Philippine Stock Exchange and manager of Philequity Fund on Thursday.

The Philippine Stock Exchange said on Thursday the bourse is considering revising the circuit-breaker rule as a temporary measure to address market volatility.

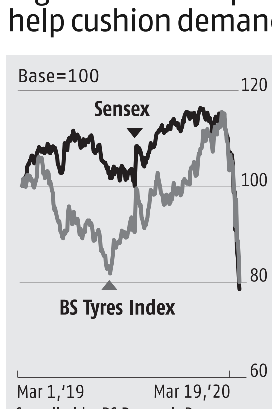
The unprecedented fall in the market sparked demands to shut down stock markets.

In India, #bandkarobazaar was the top trend on Twitter after the benchmark indices plunged 6 per cent to their lowest level in three years.

THE COMPASS

Lower raw material cost to help tyremakers

Higher share of replacement segment should help cushion demand drop



Compiled by BS Research Bureau

RAM PRASAD SAHU

While most auto component segments have been bearing the brunt of slowdown in the automobile sector, the tyre industry is expected to be less impacted than other auto suppliers. While falling demand in India and globally is expected to dent their despatches to customers (original equipment or OE makers), the replacement market and the sharply lower crude oil prices should help cushion the impact.

The domestic tyre industry is skewed towards the replacement segment, accounting for 67 per cent in tonnage terms and 56 per cent as far as volumes are concerned. This should help it to overcome the deep cyclicality of other auto segments, believe analysts.

K Srikumar, vice-president and co-head, corporate ratings, ICRA, expects a recovery in the replacement market in 2020-21 (FY21), supported by factors like improved rural demand on the back of better monsoon, first-rate water storage levels, and better consumer demand.

The other factor which should help tyremakers is the sharp reduction in crude oil prices. Derivatives of crude oil account for about half of the raw material costs of tyremakers. While the price of natural rubber, which accounts for over a third of raw material costs, is steady, analysts expect prices to be benign in the near term.

Analysts at Equirus Research believe margins are a bigger lever, compared to volumes, as far as earnings growth of domestic tyre companies is concerned. Tyremakers, according to the brokerage, do not pass on the full impact of raw material increase and decrease in the replacement market.

Most analysts expect volume recovery to happen in the second half of FY21, led by passenger vehicles and two-wheelers. Among the listed players, MRF and Ceat have lower dependence on truck tyres, compared to Apollo Tyres and JK Tyre.

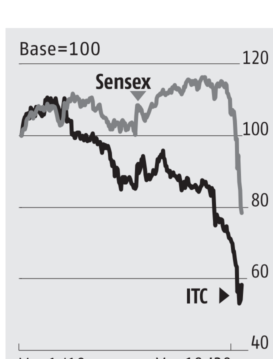
MRF also has the lowest exposure to the OE segment, as it contributes about a fifth to its sales, compared to 29-30 per cent for Apollo and Ceat.

MRF and Balkrishna Industries are best placed as far as leverage is concerned, with negligible debt and superior cash position.

While the tyre segment is better placed than other auto suppliers, given the uncertainty on the demand front, investors should await visibility on volumes and replacement sector trends before considering an investment.

ITC's new capital allocation may revive investor sentiment

Higher dividend payout addresses concerns of lower return on capital



Compiled by BS Research Bureau

SHREEPAD S AUTE

The stock of ITC surged 7.5 per cent to close at ₹161.95 on Tuesday, even as bears continued to dominate the markets, with the BSE Sensex slipping 2 per cent. The company's new capital allocation policy was the key reason for the improvement in investor sentiment. Since almost a year now, the stock has been off investors' radar because of concerns over cigarette volume growth and profitability of other businesses.

According to ITC's new dividend distribution policy, announced on Wednesday and to remain in force over the medium-term, the company would pay 80-85 per cent of its profit after tax (dividend payout) to its shareholder, starting FY20. This is higher as compared to 68-69 per cent dividend payout in the last three years. Such a move will have multiple implications for the shareholders.

First, this would result in a dividend yield of close to 7 per cent at the current market price (after Thursday's surge), which makes it even higher as compared to other FMCG players (below 2.5 per cent). ITC's cash rich-position provides good comfort on this front. Additionally, higher payout also addresses one of the key investors' concerns of lower returns earned on the substantial capital allocated over a long term to some businesses like hotels.

According to Shirish Pardeshi, analyst at Centrum Broking: "Higher investments in businesses such as hotels and other-FMCG have not yielded industry benchmark returns to ITC and this has raised investors' concern. Therefore, returning cash to shareholders should be taken positively."

In the last three years, return on capital employed for ITC's hotel and other FMCG businesses has remained at mere 2-5 per cent, which is very low even as compared to players, such as Indian Hotels (8.5 per cent in FY19) and Britannia (43-44 per cent in FY19). However, going ahead, the ratio is likely to improve with lower capital expenditure requirement. This also perhaps is an indication that most businesses (other than cigarette) are now better-placed to grow independently, aided by the investments made so far by ITC. In a way, it could also review investor sentiment. Other non-cigarette segments (agriculture and paperboards, paper and packaging) have given relatively better returns.

The stock of ITC is currently trading at around 12 times its FY21 estimated earnings, a 50 per cent discount to its long-term mean average. In fact, implied valuation of its cigarette business (85 per cent of operating profit) of around 7 times FY21 earnings is also lower than major global tobacco players (8-13 times), according to JM Financial's report.

However, investors need to cognisant of near-term volume pressure in cigarette business because of competitive intensity in the lower-end category, where ITC's prices are relatively higher. Some analysts foresee around 4 per cent cigarette volume fall for ITC in FY21. Yet, a higher share of the premium segment should support volumes and margins.

SEGMENTAL RETURN ON CAPITAL EMPLOYED (%)

	FY18	FY19
Cigarette	400	405
FMCG/others	3	5
Hotels	3	3
Agri	34	26
Paperboards, paper and packaging	18	20

Source: Company and *BS* Research

Liquid schemes see dip in NAVs

JASH KRIPLANI
Mumbai, 19 March

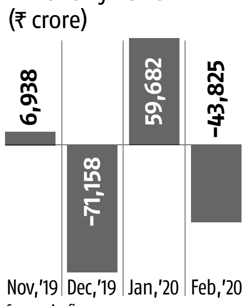
Liquid schemes on Wednesday saw a marginal dip in their net asset values (NAVs) as yields in the short-term commercial paper and the corporate bond market rose by 25-30 basis points (bps).

Industry participants say the spike in yields can be attributed to selling by foreign institutional investors in the shorter-term bond market.

"We have advised institutional investors in our liquid schemes not to panic. And also suggested them to shift their investments to overnight schemes to mitigate the impact of liquidity tightening in the shorter-tenure market," said a fund manager.

EBB & FLOW

Liquid schemes' flows have reduced in recent months



Source: Amfi

Industry experts said the one-day negative returns in liquid schemes came in as the new norms laid down by the Securities and Exchange Board of India (Sebi) required valuations of shorter-term papers to be close to the market price, rather than relying on amortisation.

Last year, the market regulator reduced the threshold for mark-to-market valuation from over 60-day maturity to over 30-day maturity.

However, experts expect liquid schemes to see more volatility from next financial year.

"We could see more days of deeper negative returns in liquid schemes as the new Sebi norms say that from April 1, debt papers across maturities will have to be marked to market," said another fund manager.

Further, some fund houses have told investors that yields could moderate with the Reserve Bank of India (RBI) expected to cut rates.

"Investors entering current yields in liquid schemes could make quick gains as hardening of yields is expected to reverse," the fund manager said.

The RBI has decided to purchase ₹10,000 crore of shorter-term debt papers, with the aim of curbing the spike in yields in corporate bonds and the CP market through this liquidity infusion.

According to estimates, FIIs have sold $1.29 billion worth of corporate bonds over the last month.

Weighting of banks, NBFCs in Nifty drops

Amid FII sell-off, contribution of financials to the index dips to 37.8%

HAMSINI KARTHIK
Mumbai, 19 March

After being the most preferred in the Indian equity indices for over half a decade, things might be about to change for stocks in the financial sector. Comprising banks and non-banking financial companies (NBFCs), the share of financials in the bellwether CNX Nifty has dipped from 40.1 per cent at its peak on February 19, 2020, to 37.8 per cent on Thursday.

This marks the first major decline in weights of financials in the index in the last five years, and the reduction might be directly correlated to the massive sell-off that has intensified in the past three weeks.

To put things into context, foreign institutional investors (FIIs) were heavily positioned in the Indian financial space, and stocks in the sector witnessed maximum inflows during good times. "Most of these inflows were through passive funds or index funds, which are now facing margin triggers or redemption pressure and are being forced to cut their positions in Indian financial stocks," said the trading head of a foreign brokerage. But, the sell-off isn't entirely led by technical factors.

HOW THE PICTURE HAS CHANGED

	Weight in Nifty (%) Feb 19,'20	Mar 19,'20	Change (bps)
HDFC Bank	10.20	10.30	10
HDFC	7.80	7.60	-20
ICICI Bank	6.80	6.20	-60
Kotak Mahindra Bank	4.40	4.30	-10
Axis Bank	3.40	3.10	-30
State Bank of India	2.40	2.20	-20
Bajaj Finance	2.40	2.20	-20
IndusInd Bank	1.30	0.80	-50
Bajaj Finserv	1.20	1.10	-10
YES Bank	0.20	NA	-
Contribution of financials	40.10	37.80	230

bps: basis points; NA: not applicable, YES Bank removed from Nifty on Mar-19
Source: NSE. Compiled by *BS* Research Bureau

Mahesh Patil, Chief Investment Officer - Equity, Aditya Birla Sun Life Mutual Fund explains that even globally because of the onslaught of COVID-19 and growing signals of recession, these passive funds are trimming their positions in financial stocks across s countries.

"In India it is a double blow in the form of YES Bank fallout and prolonged slowdown which increases the chances of credit quality deterioration," said a fund manager.

The Nifty 50 index is a free float market capitalisation weighted index, which indicates that as the market value of a company/sector falls, it impacts its weight in the index.

Experts don't rule out a further reduction in weights of financial stocks. While almost every foreign brokerage, whether JP Morgan, Morgan Stanley, Credit Suisse, CLSA or UBS is overweight on the Indian financial space, Nomura is among the few that were quick to change stance. In a report, Saion Mukherjee, head of research — equities, Nomura, said there was earnings risk in India, primarily driven by financials, autos, information technology and metals. This led to the brokerage reducing its weight on financial stocks.

"A prolonged weakness and global sell-off could trigger more brokerages to change their stance on the sector," said a head of research at another foreign research house.

While domestic investors feel it could be too soon to turn averse to banking and NBFC stocks, Patil expects a prolonged bad spell to go against these stocks. "COVID-19 impact isn't fully known yet and it is too early to predict how it can affect earnings. But, if it turns out to be worse than expected, investors could turn underweight on the (financial) sector and their weights in Nifty may reduce," he explains.

Auto insurance: Maximise no-claim bonus

With premiums set to rise, opting for a voluntary deductible will reduce costs

SANJAY KUMAR SINGH

The Insurance Regulatory and Development Authority of India recently proposed new rates for motor insurance third-party (TP) premiums. The hikes could range between 2 per cent and 16 per cent across vehicle categories. After receiving feedback from the industry, the regulator will announce the final rates (perhaps with a few modifications), which will become applicable from April 1.

Motor insurance policies have two components — TP and own damage (OD). TP cover has to be mandatorily purchased by every vehicle owner. Its premium gets revised every year.

Explaining why the TP cover premium rates get revised every year, Shanai Ghosh, chief executive officer (CEO) and executive director, Edelweiss General Insurance, says: "The TP liability on insurance companies for bodily injury and death is unlimited and is decided by the court. And they take into account earning capacity, dependency, inflation, etc, when deciding on the award amount. They also take into consideration the interest amount from the date of lodging the claim. Hence, the award amount has been increasing year-on-year and therefore, there have been increases in premium just to keep pace with claims inflation."

The average increase in TP premium rates across vehicle categories that have been proposed this year is around 7 per cent.

OD premium rates are decided by insurance companies. They depend on the type of vehicle, city, vehicle age, and each company's claim experience. "Thankfully for customers, OD rates have come down over the past three-four years, owing to competition," says Animesh Das, head of product strategy, Acko General Insurance.

YOUR MONEY

Customers, on their part, can take a number of steps to minimise the premium they pay. Currently, the most important thing owners can do is to drive their vehicles carefully. "This will help you avoid accidents and earn a no-claim bonus (NCB) each year," says Ghosh. The amount of NCB offered keeps increasing for each claim-free year and can go up to 50 per cent of the OD premium. Also, avoid making a claim for small amounts, so that they don't lose the NCB.

Customers can also reduce their premium by opting for a deductible amount. "If you inform the insurance company that you will bear the costs up to a certain amount, you could earn a discount of 3-4 per cent on your premium," says Ankit Agarwal, CEO and co-founder, InsuranceDekho.

Vehicle's premium is decided on the basis of its insured declared value (IDV). It declines as your car gets older. "Make sure the IDV you buy is optimal. If it is higher, you will end up paying a bigger premium," says Das. Also, make sure you are not under-insured; otherwise in case of total loss, you will not be compensated adequately.

Motor insurance is sold through a variety of channels — agents, brokers, and through insurers' own websites. You will get the lowest rates if you purchase it directly from an insurer. In case of channels where the insurer has to pay a commission to an intermediary, the premium rates will be higher. Another advantage of buying directly from an insurance company is that the chances of mis-selling get reduced.

Newer products are being tried out under the regulatory sandbox regime. Edelweiss General Insurance will launch a policy that will allow customers to cover multiple cars under one policy. And when they are not using a car, they can switch off the accident cover for it using an app (the fire and theft cover will always be on). Such novel 'usage-based' products will allow customers to reduce their premiums further.

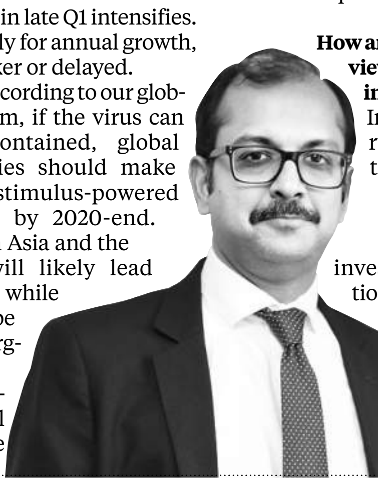
MORE TIPS FOR REDUCING YOUR PREMIUM

- **Renew insurance cover** on time. If you miss the deadline, the insurer will inspect the vehicle and could mark up the premium
- **If you miss the deadline by 3 months,** you will lose all your accumulated NCB
- **Becoming a member of the** Automotive Research Association of India (ARAI) will entitle you to a discount
- **Installing an ARAI-approved anti-theft device** could get you a discount of up to 2.5%
- **Electric vehicles will be offered** a discount of 15% on third-party premium

'FIIs have started questioning India's growth story'

Risk-off sentiment continues to intensify across global equity markets as coronavirus (COVID-19) winds a tighter leash around countries. **GAUTAM CHHAOCHHARIA**, head of India research, UBS Securities, tells **Puneet Wadhwa** that it has downgraded 2020-21 (FY21) gross domestic product (GDP) forecast by 50 basis points (bps), but has not trimmed the earnings estimates yet. Edited excerpts:

Q&A
GAUTAM CHHAOCHHARIA
Head of India research, UBS Securities



What is your outlook for the global equity markets against the backdrop of recent developments? Is the worst yet to come?

Our global economists have downgraded global growth forecasts and now expect the first quarter (Q1) of 2020 to be the weakest one for global growth since 2008 as the impact of COVID-19 and weaker oil prices bite. We expect a broader and stronger rebound globally from third quarter (Q3) onwards. Under scenarios where the virus spreads and does not recede until the second quarter (intermediate case), or Q3 (pandemic case), economic weakness in late Q1 intensifies. But more importantly for annual growth, the recovery is weaker or delayed.

According to our global team, if the virus can be contained, global equities should make new stimulus-powered highs by 2020-end. North Asia and the US will likely lead gains, while Europe and the rest of emerging markets lag.

In the intermediate scenario, we still see a recovery in the second half, but not enough to keep returns positive for the year. The pandemic scenario sees a major step lower in returns, as growth slips with little additional stimulus at the policymakers' disposal.

How are foreign investors viewing India as an investment destination?

India has been a growth story for foreign investors and they have stayed overweight on India for a long time. However, after prolonged disappointment, investors have started questioning India's growth story. If we exclude recent market reactions due to COVID-19, India, along with China, was the only country among Asia Pacific countries which has seen net foreign inflows in 2020, till February. Leaving apart global macroeconomic factors and general risk aversion, key concerns among foreign institutional investors (FIIs) is about continuity on India's reforms narrative (labour reforms, privatisation, goods and services tax). Also, FIIs will focus on earnings growth after five years of disappointment.

Is India Inc hopeful of a recovery in economic downturn?

The overall sentiment seems to be very weak. Over the next three years, we are constructive on earnings recovery and expect an earnings inflection ahead, with growth being broad-based. There could be some pain in the next two-three quarters though, given how the COVID-19 situation pans out.

More on www.business-standard.com

COMMODITIES

PRICE CARD

As on Ma 20	International Price	%Chg#	Domestic Price	%Chg#
METALS ($/tonne)				
Aluminium	1,602.5	-9.2	1,867.0	-2.5
Copper	4,860.5	-21.1	5,480.9	-14.6
Nickel	11,420.0	-18.6	11,735.3	-19.1
Lead	1,616.0	-14.8	1,800.3	-19.1
Gold ($/ounce)	1,473.5*	-0.4	1,673.0	0.9
Silver ($/ounce)	12.0*	-29.5	14.6	-24.1
ENERGY				
Crude Oil ($/bbl)	24.1*	-64.4	27.2	-59.3
Natural Gas ($/mmBtu)	1.6*	-28.4	1.7	-26.1
AGRI COMMODITIES ($/tonne)				
Wheat	181.0	-3.9	267.6	-11.6
Maize	181.5*	-0.6	210.8	-28.7
Sugar	334.4*	-6.7	459.3	-5.7
Palm oil	562.5	-21.3	943.5	-16.2
Rubber	1,329.7*	-16.2	1,700.3	-7.8
Cotton	1,224.2	-17.8	1,373.6	-13.4

* As on Mar 19, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 75.0 & 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

Oil soars 20% intra-day; gold remains lustreless

Selling pressure pushes down industrial metals

DILIP KUMAR JHA
Mumbai, 19 March

Oil prices rose as much as 20 per cent intra-day on Thursday, recouping some losses from a sell-off that drove prices to near 20-year lows, even as base metals and gold contiued to remain under pressure because of economic uncertainty in view of the coronavirus pandemic.

Metal prices declined between 3 per cent and 6 per cent on the Multi Commodity Exchange (MCX), toeing global move as selling pressure. Gold and silver, too, dropped in the domestic market, as well as globally.

On the other hand, Brent crude was up $3.56, or 14.31 per cent, to trade at $28.44 a barrel (11:37 pm IST), after plunging to $24.52 on Wednesday, its lowest since 2003.

14.31% BRENT $28.44 till 11.37 pm IST

Prices of industrial metals opened on Thursday weak and recovered towards early afternoon on news that the European Union would provide fresh monetary support to prevent the region's economy from a possible default. Continued selling pressure, margins call and profit booking, however, pulled down prices of industrial metals towards the end of the morning session on the MCX.

While copper futures for delivery on March 31 declined the most, 6 per cent, to the lowest in several years at ₹360 a kg, both mini contracts of lead and zinc fell by 3 per cent and 5 per cent, respectively. On the benchmark London Metal Exchange (LME), base metals reported a decline of 8 per cent to $4,400 a tonne in the early trade as the massive selloff resumed. Copper prices on the Shanghai metal exchange declined 9 per cent.

ON THE BENCHMARK

	Mar 19,'20 (3M fwd $/tonnes)	Change (%) 1D
LME Copper	4,790	0.95
LME Nickel	11,230	-1.45
LME Lead	1,670	-0.6
LME Zinc	1,880	1.84
LME Aluminium	1,609	-2.48
Std Gold (₹/10g)	40,334	-0.1
Silver (₹/kg)	35,220	-0.8

Source: LME/Bloomberg Compiled by BS Research Bureau

Analysts say that investors cut their positions across the board on panic over the coronavirus spread. Base metals dropped 15-20 per cent with most of them plunged to the lowest since October 2008.

"Base metals moved on the MCX in tandem with their prices on the benchmark London Metal Exchange. Also, industrial metals followed the movement of the equity markets. Overall sentiment remained weak in base metals because of the spread of coronavirus which poses uncertainty for the global economy," said Naveen Mathur, Director (commodities and currencies), Anand Rathi Share and Stockbrokers.

Meanwhile, crude oil futures for delivery in March jumped by 4.14 per cent to ₹1,686 a barrel. Gold and silver futures for near month delivery also declined 0.5 per cent and 1.5 per cent, respectively, to trade in the late afternoon at ₹39,702 per 10g and ₹34,435 a kg.

Standard gold on the benchmark Zaveri Bazaar closed with a marginal decline to ₹40,334 per 10g on Thursday as compared to ₹40,375 per 10g the previous day. Similarly, the silver price reported a decline to close on Thursday at ₹35,200 a kg, compared to ₹35,515 a kg on Wednesday.

"Overall selling pressure continues in base metals because of uncertainty in the global economy. With reports of more infected patients coming in, the situation is unlikely to improve unless the virus spread is contained," said Priyanka Jhaveri, assistant vice-president, Kotak Securities.

After COVID-19, poultry farmers hit by bird flu

DILIP KUMAR JHA
Mumbai, 19 March

After coronavirus hit consumption of chicken and eggs to a multi-year low, poultry farmers in Karnataka and Kerala are facing another problem — bird flu or, formally, the H5N1 virus.

The source is migratory birds from the east. Farmers in the two states have reportedly begun culling chickens, while the state governments have restricted supply of chicken across their borders.

"Bird flu indications are found in the Mysore region of Karnataka, among small farms with 3,000-4,000 birds. In fact, farmers had found some dead migratory birds which they carried into their farms, which was the major cause of the outbreak. The flu later spread throughout the farm," said K G Anand, general manager ay Venkateshwara Hatcheries, producer and retailer of the Venky's brand of chicken products.

From those small farms in Karnataka, the bird flu spread to Kerala. "Normally, farmers transport 1-1.5 million birds (cocks and hens) from Karnataka to Kerala. That is how it spread to Kerala," said Sanjeeb Chintawar, business manager, National Egg Coordination Committee.

Normally, bird flu outbreaks are reported in February and March, due to widening differences in temperature between day and night. In this period, birds normally travel from cold regions in search of warm weather, with India a favourite destination.

Coronavirus has prompted farmers to sell broiler chicken at ₹5 a kg in parts of Maharashtra. Costing ₹30-35 a kg in North India, the average price is ₹15 a kg. The cost of production is said to be ₹75-80 a kg.

"Farmers in Kerala and Karnataka have taken adequate care to contain the spread. The situation is under control now," says Chintawar. The spread of Covid-19 had prompted farmers to sell broiler chicken at ₹5 a kg in parts of Maharashtra. With ₹30-35 a kg in North India, the average price is ₹15 a kg — cost of production is said to be ₹75-80 a kg.

"It will take at least a year for poultry farmers to recover from the current loss, if Covid -19 is contained and the situation becomes normal," mourns Anand.

Brands can't save the world, or you

In his public speeches, President Trump has all but excused the federal government of much responsibility and instead, turned to America's brands

FARHAD MANJOO

Ten or 20 years from now, by the time the current crisis has hardened into a cautionary tale about the dangers of governmental incompetence, I imagine we'll look back on Donald Trump's Rose Garden news conference of Friday, March 13, as the moment that finally shattered the world's faith in America. What broke me, at least, was the spectacular smallness on display — how, in the span of about an hour that afternoon, the illusion of American can-do greatness shrivelled like a frightened turtle right before our eyes.

President Trump had been disastrously late to lead the fight against the coronavirus, but the United States is often a laggard in times of global turmoil. Now, facing a moment of maximum peril for his country and for the wider world, Trump might have embraced an opportunity for some good old-fashioned American shock and awe. Given his vast powers over land and sea and space, a near-limitless treasury and the untapped reserves of American ingenuity, the only question was which mountain the president would aim to move first. Would he commit the federal government to building hospitals to treat the masses sickened by the virus, the way China did? Would he command a warlike mobilisation to rush into production the supplies and equipment needed to weather the crisis — not just tests for the virus but also protective gear and hospital ventilators? Would he promise a frightened nation that it had nothing to fear, because, as ever, its mighty government would rush in to protect its weary people?

LOL. Nothing of the sort. After weeks of dithering, Trump all but excused the federal government of much responsibility. Instead, he turned to the only the real power left in the land: America's brands. "I want to thank Google," said the American president. "Google is helping to develop a website. It's going to be very quickly done, unlike websites of the past, to determine whether a test is warranted and to facilitate testing at a nearby convenient location."

Let us not dwell on the clown show that followed this news: Reporters soon discovered that Trump had oversold the site; instead of the nationwide coordinating service the president had described, Verily, a life sciences subsidiary of Google's parent company, was building only a small pilot effort to direct people in the San Francisco Bay Area to coronavirus resources. When the media clarified these details, the president doubled down and called reporters liars, and Google gutlessly played along with the charade.

After weeks of dithering, Trump all but excused the federal government of much responsibility. Instead, he turned to the only the real power left in the land: America's brands

But as I said, never mind all this; it's just frosting on the chaos cake. For now, it's worth focusing on the initial embarrassment — on the sorry fact that in order to provide its citizens tests for a pandemic disease, the wealthiest and most powerful nation had to desperately finagle the services of volunteer coders at Google.

And this was hardly the end of America's reliance on brands in the face of crisis. "Mr President, I want to join you in thanking Walmart and CVS and Target and Walgreen," said Vice President Mike Pence, as if he were an Instagram influencer trying too hard to bank some new sponcon. What an enormous comedown for a nation whose government once aimed to lead the world in competence and expertise.

During the Great Depression, Franklin D. Roosevelt assembled a mighty federal apparatus to rebuild a broken economy. Lyndon Johnson used federal power to bring civil rights to the South. Ours was the sort of government that promised unprecedented achievement, and delivered.

But now all that is over; facing the catastrophe of pandemic, our national government stands naked in its mediocrity and impotence. In a call with governors this week, the president made it plain: "Respirators, ventilators, all of the equipment — try getting it yourselves," he said.

This is a national shame, but not a surprise. The incompetence we see now is by design. Over the last 40 years, America has been deliberately stripped of governmental expertise. This is what happens when you starve the beast. This is what happens when you shrink government down to the size that you can drown it in a bathtub. The coronavirus crisis should be our wake-up call. The brands can't help us. The brands won't help us. The most comforting words I can think of now, amid so much uncertainty, chaos and confusion, are these: "I'm from the government, and I'm here to help."

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FROM PAGE 1

FM-led...

These were the only weapons, he said, to battle the disease. He said the 1.3 billion Indians should resolve that as citizens they would follow the advisories and instructions issued by the Centre and state governments. "Take a resolve that they will save themselves from infection and help others from getting infected," Modi said. The only mantra, the PM said, was *hum swastha toh jagat swastha* (the world is healthy when we are healthy).

He said the second tenet to follow was *sainyam*, or restraint, where people should stay away from crowded areas and exercise social distancing. He said anyone who believed they would remain immune to coronavirus or nothing would happen to them, they would be doing injustice not just to themselves but also to their loved ones. He asked people not to step out of their homes for the next few weeks. He said apart from those involved in providing essential services, others should isolate themselves. Reiterating a health ministry advisory issued earlier in the day, the PM said he would request all those above 60 or 65 years of age to not step out of their homes.

The PM said it seemed that a perception had spread in the last few days that India had escaped the scourge of coronavirus and that everything was normal. "This thought process is not right. It is important for each and every Indian to remain alert. The number of patients with this disease had exploded after a few days in the countries which are currently battling this," the PM said.

NPA norms...

The official said discussions were still being held internally and with the RBI on whether such relaxations should be provided to only micro, small and medium enterprises or larger corporates as well. However, the relaxation on loan repayments won't be sector-specific.

"Say you have a hotel, and you have a company which provides security and manpower logistics for the hotel, both are being hit," said a second official. "It will be more difficult to provide relaxations sector-wise," the official added.

Another aspect of the relief package being discussed is whether a temporary tax holiday should be for industry as a whole or sector-specific. Top policymakers are aware of the impact that such a move could have on the already-weak tax revenue collections.

While such a tax deferment will likely be for the April-June 2020-21 quarter, a weak economy is negatively impacting tax collections. For example, 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 earlier this week.

"These are unprecedented times and we will have to keep aside fiscal considerations," the second official said. Both officials clarified, however, that so far no fiscal stimulus on the expenditure side was being considered. The revenue foregone due to any tax deferment will be considered a fiscal stimulus.

Unemployment...

"The labour and employment ministry is looking to extend the scheme and allow workers to avail of unemployment insurance if they are impacted by coronavirus," a senior government official said.

Workers get cash to the tune of 25 per cent of the average salary that they were getting in the last two years of their job under this scheme. However, an important condition for workers to get the unemployment benefit is that they should have been a subscriber of the ESIC for at least two years. When the scheme was made effective in July 2018, around
1 million workers were eligible.

The International Labour Organization (ILO) has estimated that up to 25 million people might become unemployed worldwide due to the impact of COVID-19. It projected a range with 5.3 million job losses on a 'low scenario' and 24.7 million on a 'high scenario'. During the global financial crisis of 2008-09, an estimated 22 million people had lost their jobs, according to the ILO.

The impact of the coronavirus is being felt in India, too. For instance, airlines have been forced to ground their planes as they cut down on flights and ask pilots and crew to take leave without pay. The sectors that saw an immediate impact range from travel and tourism to hospitality and retail. India's import-dependent sectors such as automobiles and pharmaceuticals will also take a hit due to disruptions in global trade.

In such a scenario, experts pointed out that the Indian government's move to provide unemployment insurance to the impacted workers may not be sufficient to cover a large section of the country's workforce. K R Shyam Sundar, professor of human resource management at XLRI Jamshedpur, said that the ESIC covers about two-thirds of the private organised sector and about "2 per cent of the 470-million workforce in India".

"This scheme is narrow in coverage. It doesn't reflect the sensitivity of the magnitude of the impact that the coronavirus will have on the jobs market. It's reflective of poor imagination of the government, which should work towards a universal unemployment scheme instead," Sundar said. He added that the strict eligibility norms under the scheme would act as a deterrent.

The coverage of the ESI scheme itself is limited. The scheme applies to all factories and establishments employing at least 10 workers. In India, around 98 per cent of establishments employed less than 10 workers, according to the Sixth Economic Census 2013-14.

Int'l flights...

No international flight will be allowed to disembark passengers in India after 1.30 am on Monday.

Several states and regions, including the Kashmir Valley, prepared for a partial lockdown. All public transport was prohibited in Srinagar. Several states asked temples and other places of worship to remain closed.

The Centre has requested states to enforce work from home for private-sector employees except those working in emergency and other essential services.

The health ministry said the fourth death, reported in Punjab, was that of an elderly person who had diabetes and cardiac ailments. Punjab has said it will suspend all public transport from Friday midnight and restricted public gatherings to fewer than 20 people, as did Delhi.

These decisions, among a series of steps, are aimed at ensuring India does not witness community-level transmission of the disease, which has resulted in more than 200,000 cases around the world.

The Council for the Indian School Certificate Examinations postponed class 10 and 12 examinations, which were to start on Thursday. With the class 12 sociology exam scheduled to be held at 2 pm, the announcement was made at 10 am.

In Maharashtra, the laundry staff at the Yavatmal hospital refused to wash clothes from isolation wards having three coronavirus patients.

BS SUDOKU # 3003

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SOLUTION TO #3002

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9	7	2	8	3	5	1	6	4
8	1	6	4	9	7	3	5	2
1	2	4	9	5	8	7	3	6
7	5	8	6	1	3	4	2	9
3	6	9	7	4	2	5	1	8

Medium: ★★★

Solution tomorrow

HOW TO PLAY

Fill in the grid so that every row, every column and every 3x3 box contains the digits 1 to 9

India reports fourth death, total cases at 173

INDIAN WHO TESTED POSITIVE HAS DIED IN IRAN: MEA OFFICIAL

AIR INDIA FLIGHT TO LEAVE FOR ROME ON SATURDAY AND RETURN NEXT DAY WITH THOSE STRANDED

PRESS TRUST OF INDIA
New Delhi, 19 March

India reported its fourth coronavirus death on Thursday while the total COVID-19 cases rose to atleast 173, as India banned landing of all international commercial passenger flights from March 22 for a week, and Prime Minister Narendra Modi urged people to stay indoors and called for 'janata curfew' on Sunday.

Giving the details of the fourth coronavirus fatality in the country, the Union health ministry said the person, who died in Punjab, was an elderly and had co-morbid conditions like diabetes, cardiac ailments.

There were more than 20 fresh cases in last 24 hours with Chhattisgarh and Chandigarh reporting their first COVID-19 patients on early Thursday.

As the virus continued to spread its tentacles across India, several parts, including Kashmir valley headed towards a virtual lockdown with the administration restricting movement of people in several parts and banning all public transport in Srinagar city.

Punjab and the national capital also inched towards virtual shutdown.

While the Punjab government announced suspension of public transport services from Friday midnight and restricting public gatherings to less than 20 besides deciding to close down marriage palaces, hotels, restaurants, banquets and dining places, except home delivery services and takeaways in the entire state.

A worker sanitizes the general wards of Sawai Man Singh Hospital in Jaipur on Thursday PHOTO: PTI

The Kejriwal government in Delhi also announced shutting down of restaurants but said that takeaway and home delivery services will continue.

"Lieutenant Governor Anil Baijal has asked all government departments, autonomous bodies and PSUs to segregate activities and suspend non-essential services," Chief Minister Arvind Kejriwal said at a press conference.

Non-essential government services will be discontinued from Friday, he added.

Social, cultural and political gatherings with more than 20 people are not allowed across the national capital to contain the spread of the novel coronavirus disease, he said.

As part of its efforts to detect and prevent the spread of coronavirus, which has claimed over 8,000 lives globally and infected more than two lakh, the government banned all international commercial passenger aircraft from landing in the country from March 22 to March 29.

Moreover, the Central government has requested states to enforce work for home for private sector employees, except for those working in emergency and essential services.

"State governments shall issue appropriate directions so that all citizens above 65 (other than for medical assistance) except for public representatives or government servants or medical professionals are advised to remain at home," the government statement noted.

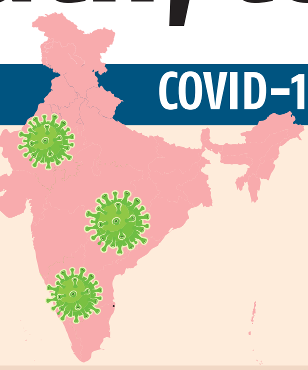
"Similarly, all children below 10 should be advised to stay at home and not to venture out," it added.

Meanwhile, the government said one Indian national infected with coronavirus in Iran has died, the first death of an Indian outside the country due to the pandemic.

Other Indian citizens infected with the disease in Iran are being provided treatment and taken care of by the Iranian government, the government said.

Asked whether any Indian infected with coronavirus has died in Iran, Dammu Ravi, Additional Secretary in the MEA and the coordinator for COVID-19, answered in the affirmative. He said the deceased was an elderly person aged over 70 years and had health-related complications.

COVID-19: INDIA IMPACT



- One more person tests positive for coronavirus in Maharashtra; number rises to 49 including a patient who died earlier this week
- Four more test corona-positive in UP, number rises to 19
- Gujarat reports first coronavirus cases; one each from Rajkot and Surat
- Gurugram sees 4th positive case of COVID-19
- Eight confirmed cases in Ladakh
- AP reports second COVID-19 case, orders closure of malls, theatres; Tirupati Balaj temple shut for devotees
- Woman tests positive for coronavirus in Chhattisgarh, first in state
- TN reports one more case, number goes up to three
- Trying to get four more centres to test COVID-19 cases in UP: Health minister

Delhi govt shuts restaurants; gathering over 20 people not allowed

14
Total number of cases in national capital

- 4,296 people screened in Mizoram, no positive cases
- Kashmir headed towards virtual shutdown, all public transport banned
- Three fresh cases in Telangana; number climbs to 16
- Mizoram government invokes 'The Epidemic Diseases Act 1897', under which it can use force to quarantine and isolate certain people to prevent COVID spread
- Random screening at railway stations, bus stands in Pune
- Six passengers with 'home quarantine' stamp deboarded from train in Mumbai
- Maharashtra home minister orders police to lodge cases against those who violate mandatory home quarantine
- Meghalaya makes health check-ups mandatory at entry points
- Haji Ali, Mahim Dargahs closed
- Three Maharashtra labs testing samples from other states too
- Vistara to operate seven flights from Delhi to Kathmandu and Singapore between March 20 and 22
- Chandigarh reports first case

Kerala announces ₹20,000-cr package

GIREESH BABU
Chennai, 19 March

The Kerala government has announced a ₹20,000-crore financial package for the state to tide over the present crisis being faced by the southern state in the wake of the coronavirus (COVID-19) outbreak. This includes ₹14,000 crore to clear all arrears pending in various sectors and a ₹500-crore health package.

On Thursday, the state has reported one more positive case, taking the total confirmed COVID-19 cases to 28, of which 25 patients are under treatment, said state Chief Minister Pinarayi Vijayan.

"The state is facing a huge crisis and normal life has been affected. This has impacted the economy. The financial package is expected to revive the economy," said Vijayan in Thiruvananthapuram on Thursday after a review meeting with the health minister and other officials. He said the fund has to come from the state government and there won't be any problem in finding the fund.

The plan covers health package, loan assistance, welfare pension, MNREGS, free foodgrain, subsidised meals, tax relief, and arrear clearance. The state government will facilitate ₹2,000 crore loans through self-help group Kudumbashree in the nature of a consumer loan to those impacted by COVID-19. Another ₹2,000 crore will be distributed as village employment assurance programme for April and May. Social welfare pension, due in April, will be distributed in March.

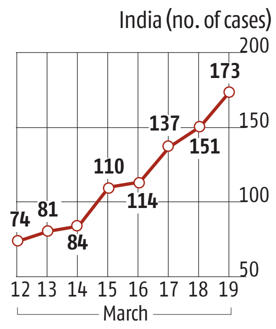
For the two-month pension, it is expected to be around ₹1,320 crore. The state government's plans to launch restaurants will be fast-tracked and meals will be offered at ₹20 instead of ₹25.

INDIA'S CASE CONFIRMATIONS COMING IN SLOWER THAN MANY OTHER COUNTRIES

The number of confirmed cases in India has more than doubled over the last one week. However, the rate of growth in declared cases seems lower than many other countries. Key countries facing the outbreak had seen cases rise by around 140-700 per cent in the four days after crossing the 100-mark. India's rise is currently at 57 per cent . State-wise numbers show a concentration in certain places. Maharashtra has the highest number of confirmed cases, Kerala is second and Uttar Pradesh is third

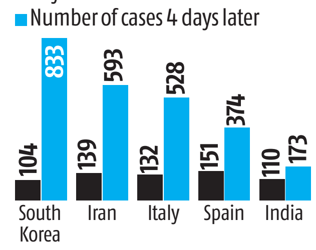
SACHIN P MAMPATTA

NUMBER OF THOSE AFFECTED HAS RISEN



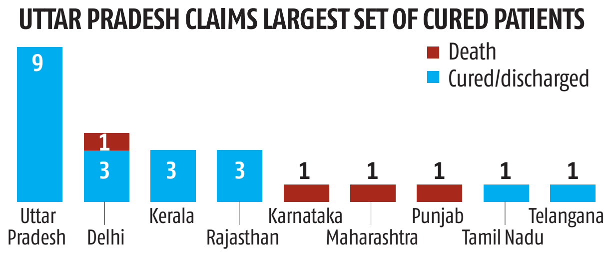
Note: Data as of March 19, 2020; 5 pm

CONFIRMED CASES: HOW OTHER COUNTRIES FARED COMPARED TO INDIA



Note: India data as of March 19, 2020; 5 pm
Source: World Health Organization, Ministry of Health and Family Welfare

UTTAR PRADESH CLAIMS LARGEST SET OF CURED PATIENTS



Source: Ministry of Health and Family Welfare

Coronavirus impact may render 38 million jobless

With stringent travel restrictions in place and widespread fears keeping people indoors, India's travel and tourism industry is staring at large-scale job losses. Highlighting the impact of the unfolding crisis, industry body Federation of Associations in Indian Tourism & Hospitality (FAITH) has approached Prime Minister (PM) Narendra Modi.

In a letter to the PM, the industry body has urged the Prime Minister's Office (PMO) to intervene to minimise the damage. Apart from business loss for the ₹5-trillion industry, FAITH said the crisis may leave 38 million people (or 70 per cent of all employed directly and indirectly) jobless.

Further, it has predicted that a near halt in travel and tourism may result in a ₹10-trillion hit to the country's economy.

"The Indian tourism industry is looking at pan-Indian bankruptcies, closure of businesses, and mass unemployment," said FAITH. With revenue streams drying up, the body has urged the PMO for varied measures. A moratorium on payable equated monthly instalments for the next 12 months, loans and working capital from financial institutions, deferment of all statutory dues, including goods and services tax, advance tax payments, provident fund, and Customs duties are its demands.

ARNAB DUTTA

Trump: US approves anti-malarial drug to treat COVID-19

The US has approved the anti-malarial drug chloroquine for use as a treatment against the new coronavirus, US President Donald Trump said on Thursday. "We're going to be able to make that drug available almost immediately, and that's where the FDA (Food and Drug Administration) has been so great," Trump told reporters.

"They've gone through the approval process — it's been approved. They took it down from many, many months to immediate. So we're going to be able to make that drug available by prescription."

But the FDA Commissioner Stephen Hahn later indicated that, while the drug has not yet been formally approved, access to it was being expanded so that authorities could gather more data. This is known as "compassionate use." "If there is an experimental drug that is potentially available, a doctor could ask for that drug to be used in a patient. We have criteria for that and very speedy approval for that," said Hahn.

"As an example, many Americans have read studies and heard media reports about this drug chloroquine, which is an anti-malarial drug.

"It's already approved, as the president said, for the treatment of malaria as well as an arthritis condition.

"That's a drug that the president directed us to take a closer look at, as to whether an expanded use approach to that could be done to actually see if that benefits patients."

AGENCIES

Business Standard

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BS1000 ANNUAL

MARCH 2020

BS

COMPANY OF THE YEAR

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S N Subrahmanyan
CEO and MD

BS

LIFETIME ACHIEVEMENT

AZIM PREMJI

FOUNDER CHAIRMAN, WIPRO

BS

STAR MNC

NESTLÉ INDIA

BS

STAR PSU

INDRAPRASTHA GAS

BS

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START-UP OF THE YEAR

BIGBASKET

BS

CEO OF THE YEAR

BHASKAR BHAT

Former Managing Director, Titan Company

WINNER TAKES ALL

Increasing concentration in a slew of industries has led to the top companies cornering all the gains

THE NEW ENTRANTS

The latest members of the BS1000 club bet on capex, acquisitions and partnerships

65 PAGES OF DATA ON COMPANIES

CONTENTS

BS

COVER IMAGING: AJAY MOHANTY

DATA PAGES

A year of **challenges**

At first blush, the revenue growth of 18.2 per cent for the BS1000 companies at the aggregate level suggests a strong recovery in FY19, but a closer look at the numbers does indicate building up of some pressures. Operating profit growth at 12.4 per cent and net profit growth of 16.4 per cent did not keep pace with the revenue growth. This suggests that companies were unable to pass on higher commodity prices to customers. If metals, mining, oil and gas companies, which benefited from higher product prices, are excluded, the growth rates would drop further.

Bigger companies in general performed better than their smaller peers. The median company saw revenue growth of 14 per cent but its net profit grew under one per cent.

The World Bank's FY19 GDP growth estimate for India stands reduced from an impressive 7.5 per cent a year ago to 5 per cent now as it expects weakness in credit from non-bank finance companies to linger. This is showing in India Inc's numbers for April-December 2019.

The business environment worsened in FY19. Resolution of insolvency cases under the new bankruptcy law moved slowly. The default at Infrastructure Leasing & Financial Services triggered a liquidity crunch for non-bank finance companies. Automobile sales started falling during the year. Meanwhile, key stock market indices kept rising barring a few hiccups, as investors kept lapping up shares of leading large-cap companies, and their valuations kept rising. Mid and small-cap stocks though struggled during the year. For those investing in the market, it was also the year when the government brought back capital gains tax for investments held over a year.

This trend of "winners take all" is captured in our cover story, where leaders in telecom, paints, cement and other industries gain more market share in their sectors. Our second story is on the new entrants in the BS1000 club and what makes them noteworthy.

BS 1000 is also about celebrating success. An eminent jury of seven top decision-makers, led by Aditya Birla Group Chairman Kumar Mangalam Birla, selected the winners of the *Business Standard* Awards for corporate excellence in 2018. Read about the outstanding success stories.

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Date: March 2020

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Nandan Singh Rawat
Printer & Publisher

Winner takes all

There has been a steady rise in market concentration in several sectors across manufacturing

KRISHNA KANT

Is the demand slowdown in the economy creating a situation in India Inc where the dominant firms corner most of the gains? The trend in corporate revenues in many sectors suggests a steady consolidation in favour of a few leaders in recent years.

The skew in favour of large firms is even starker if one looks at the distribution of profits and market capitalisation in many sectors.

Revenue trends for BS1000 companies suggest that consolidation continued despite a sharp recovery in top line growth in FY18 and FY19, driven by higher energy and commodity prices. The combined revenues of BS1000 companies were up 18.1 per cent year-on-year (y-o-y) in FY19, as against 11.5 per cent y-o-y growth a year ago.

Excluding oil and gas companies, the combined revenues of BS1000 companies were up 11 per cent y-o-y in FY19, as against 8.9 per cent a year ago.

The growth recovery, however, seems to have stalled, with the combined revenues of BS1000 companies having remained stagnant during the first nine months of FY20.

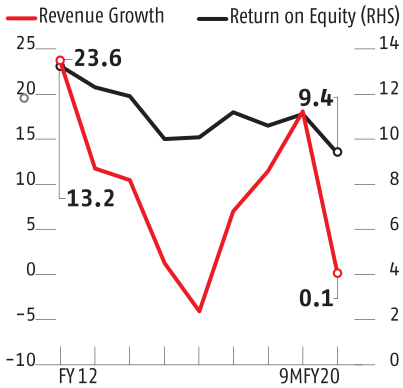
This, experts say, could trigger more consolidation, as smaller firms struggle to stay profitable in the face of the demand slowdown. "When the industry cycle is weak, smaller and marginal players struggle to make profits, and they are ultimately acquired by large players with greater staying power. This is what we are witnessing in some industries right now, especially in telecom, metals, cement and power, where many smaller companies are now undergoing bankruptcy proceedings due to large losses," says Dhananjay Sinha, head of research, Systematix Group.

The slowdown in top line growth has also created a wedge between growth and the return on equity. In six out of the last nine years, the return on equity or net worth has exceeded the average top line growth of BS1000 companies (see graph at top of page).

A higher rate of return on capital, compared to the growth rate, has consequences for capital accumulation and its distribution, according to French economist Thomas Piketty, the author of *Capital in the Twenty-First Century*.

RETURN ON EQUITY STAYED HIGH AS GROWTH DIPPED

The historical trend in growth and return on capital for BS1000 companies %



Source: Capitaline, Calculation by *Business Standard*

Faster economic growth means greater opportunities for new entrants to grow their income and assets. Lower growth, on the other hand, favours incumbents, as income or profits from their accumulated assets continue to grow at a faster rate than the general income growth in the economy. This allows incumbents to grow their market share at the expense of smaller firms.

Market share rises for large firms

The process is most visible in the telecom space, where there has been a steady rise in the market share of the top two operators — Bharti Airtel and Reliance Jio — despite a general contraction in the industry's revenues in the last three years, owing to price cuts. Reliance Jio is also an exception, as it has made a huge dent in the telecom industry despite being a newcomer, thanks to parent Reliance Industries' deep pockets. This has now raised the possibility of a duopoly in the sector, as the bottom three operators in terms of size — Vodafone Idea, Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Ltd (MTNL) are now facing financial difficulties.

In the financial year 2018-19, Bharti Airtel and Reliance Jio together accounted for 63 per cent of the industry's revenue. Five years ago, in 2013-14, the top two players — Bharti Airtel and Vodafone then — had a combined revenue share of 51 per cent. The revenue market share of the top two operators increased further to 66.4 per cent during the first nine months of FY20.

BIG FISH SWALLOW THE SMALL ONES

STEEL

- Five prominent steelmakers either defaulted or went bankrupt in the past few years – Essar Steel, Bhushan Steel, Bhushan Power & Steel, Electrosteel Steels, and Monnet Ispat & Power.
- They were snapped up by ArcelorMittal (Essar Steel), Tata Steel (Bhushan Steel), JSW Steel (Monnet Ispat and Bhushan Power) and Vedanta (Electrosteel).
- Besides, JSW Steel had also acquired Ispat Industries, Welspun Maxsteel and Vardhman Industries earlier.
- Tata Steel & JSW together spent nearly ₹1.14 trillion on acquisitions or capex in the last five years, nearly four times that of Steel Authority of India.

CEMENT

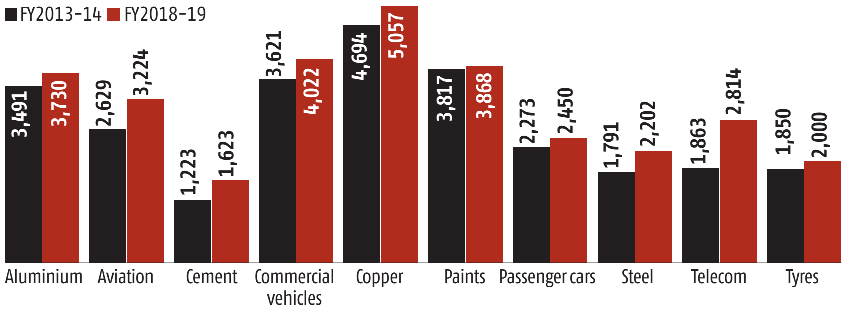
- UltraTech Cement and Dalmia Bharat have been leaders of the industry consolidation.
- UltraTech acquired nearly 25 million tonnes per annum (MTPA) capacity from Jaypee group in two tranches in 2014 and 2017.
- In 2018 it bought the 6.25-MTPA Binani Cement.
- In July 2019, UltraTech acquired Century Textiles' cement plants with installed capacity of 13.4 MTPA.
- Dalmia Bharat bought or merged Bokaro Jaypee Cement, OCL, Adhunik Cement, Kalyanpur Cements, and Murli Industries.
- In the last five years, UltraTech has spent ₹33,000 crore on acquisitions or greenfield expansion, followed by Dalmia Bharat (₹11,500 crore) and Shree Cement (₹9,700 crore).

The skew in profits is even bigger. While government-owned MTNL and BSNL reported losses at the EBIDTA (earnings before interest, tax and depreciation) level in FY19, Bharti and Reliance Jio together accounted for 95 per cent of the industry's combined EBITDA in the last fiscal, while the balance was accounted for by Vodafone Idea.

Poor profitability makes it tough for smaller operators to make incremental

MOST INDUSTRIES HAVE HIGH DEGREE OF CONCENTRATION

Herfindahl–Hirschman Index (HHI) in key industries



Note: Based on net sales of of listed companies in respective industries and key unlisted manufacturers; HHI< 1500 : Industry is considered to be a competitive; 1500 <HHI< 2500 – industry is moderately concentrated; HHI >2500 : Industry is highly concentrated

Source: Capitaline, Calculation by *Business Standard*

investments in airwaves and networks, unlike dominant firms, which continue to put more money into their networks.

Beyond telecom, there has been a steady rise in market concentration in many other industries, as measured by the Herfindahl-Hirschman Index (HHI), an indicator of competition within an industry. For example, the HHI score in telecom crossed 2,800 in FY19, as against 1,862 in FY14 (see bar chart above).

An industry with an HHI score of 2,500 or greater is considered to be highly concentrated, while an industry with HHI score of between 1,500 and 2,500 is considered moderately concentrated and an HHI of less than 1,500 means that the industry is competitive.

HHI is based on the revenue shares of all firms operating in a sector. This *Business Standard* analysis of HHI is based on the reported revenues of listed companies in a particular sector and key unlisted firms whose numbers were available. For globally diversified companies such as Tata Steel, Bharti Airtel and Tata Motors, we have considered their domestic revenues.

The United States Justice Department and competition watchdogs globally use HHI scores to evaluate mergers and acquisitions and their impact on competitiveness. On this metric, competition has receded in many key industries in recent years, as bigger players have become bigger while smaller players have either struggled to grow or have been acquired by their larger peers.

In the steel industry, for example, the HHI score increased from 1,791 in FY14 to 2,200 in FY19. This was largely owing to both expansion and acquisitions of bankrupt companies by the two top manufacturers, JSW Steel and Tata Steel, which added to their capacity. Tata Steel, for example, acquired Bhushan Steel, while JSW Steel bought out Monnet Ispat & Power, and has now has obtained approval from the National Company Law Appellate Tribunal to acquire Bhushan Power & Steel.

Tata Steel and JSW Steel together now account for nearly 56 per cent of the industry's revenues, up from 46 per cent five years ago. The calculation is based on Tata Steel's revenues on a standalone basis, and includes the revenues of its subsidiary, Tata Steel BSL — the erstwhile Bhushan Steel.

There is a high level of concentration in steel, telecom, copper, aluminium and civil aviation, while competition increased in commercial vehicles

A similar process is visible in the cement industry. The industry leader — UltraTech Cement — now accounts for nearly a third of the industry's revenues, up from around 23 per cent five years ago. In recent years, UltraTech increased its market share by acquiring assets from Jaiprakash Associates, besides buying out Binani Cement, both of which were under the Insolvency and Bankruptcy Code (IBC). Together with the LafargeHolcim group in India that owns ACC and Ambuja Cement, UltraTech now accounts for 51 per cent of the industry's combined revenues, up from 44 per cent five years ago.

Competition watchdog gets cracking

The consolidation has raised some eyebrows among regulators, especially the competition watchdog, which is trying to discourage companies from indulging in anti-competitive behaviour.

In August 2016, the Competition Commission of India (CCI) slapped a ₹6,300-crore penalty on 10 cement makers and their trade body, the Cement Manufacturers Association (CMA), for cartelisation that allegedly led to higher prices for consumers.

In January this year, CCI ordered a probe against Asian Paints — the industry leader — for its alleged abuse of its dominant position in certain markets in southern India. The probe was ordered on a complaint filed by JSW Paints, a new entrant in the industry.

Asian Paints accounted for nearly 57 per cent of the combined revenues of the top five listed paint makers. The paint industry had an HHI score of nearly 3,900 in FY19, indicating a high level of market concentration.

Other industries with high levels of market concentration include copper, aluminium and civil aviation. In contrast, the competition increased in commercial vehicles, as the incumbent, Tata Motors, lost market share at the expense of smaller manufacturers such as Ashok Leyland and new entrants such as Daimler India Commercial Vehicles.

Others say that concentration has always been high in India, especially in industries such as metals, power and cement. "In most capital-intensive industries, the bulk of the industry profit is largely accounted for by the top five companies at best. This puts dominant firms at an advantageous position when growth and profits take a hit during a growth slowdown," says Madan Sabnavis, chief economist, CARE Ratings.

According to him, concentration of profits and entry of newer firms is a better indicator of competitive intensity in an industry than revenue share.

Role of imports and tariffs

Competition experts also highlight the role of imports — or lack of them — in determining competition in the domestic market, especially in manufacturing industries.

"High import duties and barriers to trade discourage competition and largely favour incumbents firms," says Amol

Kulkarni, fellow, CUTS International, an advocacy group for consumer rights. "Tariffs are on upward trajectory in India. Besides, there is anti-dumping duty on many products. These protective measures should be reviewed periodically, to ensure that it doesn't hurt consumers and innovation in industry."

In the latest Budget, the government hiked import duties on nearly two dozen items, including furniture, footwear, toys, lighting and air conditioners, among other things.

Kulkarni says that there has been a general trend towards consolidation in many industries for various reasons, but the question must be asked if it is necessarily bad. "Rather than bother about a decline in numbers of players across industries, our focus should be to ensure that there is no entry barrier for new entrants and disruptors," he adds.

However, as the growth slowdown gets prolonged, it will become increasingly difficult for second-tier and third-tier companies to survive. Lower market share and lower profitability create a downward spiral, creating a financially unviable condition.

In many industries, equity investors have placed all their bets on top firms, making it tough for smaller companies to raise fresh equity to fund new projects

Downward spiral

In many industries, equity investors have already placed all their bets on top firms, making it tough for smaller companies to raise fresh equity to fund new projects. In cement, for example, the two most valuable companies — UltraTech Cement and Shree Cement — together account for nearly 60 per cent of the industry's total market capitalisation, nearly double their revenue share.

In November 2019, Shree Cement raised around ₹2,400 crore by selling new shares to institutional equity investors. This was one of the biggest-ever equity issues by any cement maker, and the company plans to use it for capital expenditure and debt reduction.

Ditto in steel, where Tata Steel and JSW Steel together account for nearly 60 per cent of the industry's combined market cap, making it easier for them to raise fresh equity to invest in new projects or acquire their smaller peers. Smaller companies, on the other hand, largely depend on borrowings, which make them financially vulnerable.

In aviation, Spicejet's market cap is less than a tenth of IndiGo's, while the third listed company, Jet Airways, has shut operations. Other airlines, such as Air India, Vistara and GoAir, are not listed.

In telecom, the skew is even larger, with Bharti Airtel's market capitalisation nearly 27 times that of Vodafone Idea's, though both companies have similar sized balance sheets and liabilities. Bharti leveraged its market cap to raise fresh equity worth nearly ₹40,000 crore in the 2019 calendar year to fund capex and adjusted gross revenue dues. Vodafone Idea, which was trading below its face value after its rights issue, has not been able to raise funds after the Supreme Court AGR order.

A decline in competition would hurt everyone in the long term, as prices rise and quality and innovation take a backseat. "In the long term, competition is good for every stakeholder, including companies, not to mention consumers. That's why it's important for policymakers to encourage the entry of new entrants, including foreign firms," says Kulkarni. ■

Meet the new entrants

The latest members of the BS1000 club have bet on capital expenditure, acquisitions and partnerships for growth

SACHIN P MAMPATTA

Some of the new entrants in the BS1000 club are bucking the trend in more ways than one. In addition to robust results in a lacklustre environment, many are also investing in growth.

The people leading these companies are laying the road for future gains through both greenfield investments and acquisitions. Among them is Sanjay Sethi, managing director (MD) and chief executive officer (CEO) of Chalet Hotels.

DINESH CHANDRA AGARWAL
Managing Director and CEO
IndiaMART InterMESH

"Internet penetration among India's MSMEs remains low, with 17 per cent of MSMEs using the internet for business purposes in 2017"

After a stint outside the company, he re-joined the firm in early 2018 with the intent of taking it public. The idea was to fuel growth, reduce debt at the time and also create a currency which could be used for mergers and acquisitions.

Chalet, a group company of K Raheja Corp, successfully listed in February 2019. The company runs seven hotels in partnership with global brands such as Marriott, Westin, Four Points by Sheraton and Novotel. The 2,500-room hotel chain is on an expansion path. "Greenfield is the largest growth play for us. We've got three hotels under development totalling up to about 650-odd rooms under construction," Sethi said.

The company also has a few non-hotel assets, such as retail and commercial spaces in its portfolio, which are co-located with the hotel assets and complement the hotel assets. "We've got a couple of office towers and retail products in the portfolio, and there are two more office towers under development," he said.

In February 2020, Chalet took the inorganic route to buy Novotel, Pune, which Sethi says is a departure for the company, adding, "While organic growth has been the mainstay, all options for growth will be examined."

Another new entrant, diagnostics chain Metropolis Healthcare, has depended on local partnerships to fund growth, both before and after it went public in the first half of 2019. Its initial public offer was shortly after financial markets had been in turmoil because of debt issues at lending major Infrastructure Leasing & Financial Services (IL&FS). Investor sentiment was weak during the book-building process, recalled Ameera Shah, promoter and managing director of Metropolis. Everybody seemed to be in wait-and-watch mode, and there were calls to defer the issue by a year. The company

SANJAY SETHI
Managing Director and CEO, Chalet Hotels

"Greenfield is the largest growth play for us. We've got three hotels totalling up to about 650-odd rooms and two office towers under development"

AMEERA SHAH
Managing Director
Metropolis Healthcare

"We are in full investment mode. We continue to invest in new labs, new centres, and acquisitions"

NEW ENTRANTS

Company Name
Arvind Fashions
Chalet Hotels
Greenpanel Industries
IndiaMart InterMesh
Indian Railway Catering and Tourism Corp
KPIT Technologies
Metropolis Healthcare
MSTC
Polycab India
Prince Pipes and Fittings
Rail Vikas Nigam
Shahlon Silk Industries
Sterling, Wilson Solar

Source:Capitaline

GROWTH DRIVERS

Company	Investments
Polycab India	Has guided for ₹300 crore in capex for FY20
Chalet Hotels	Three hotels under development, inorganic growth also on the cards
Metropolis Healthcare	Multiple acquisitions to expand footprint in Gujarat
IndiaMART InterMESH	26 per cent stake in mobile accounting software application Vyapar

decided to go ahead anyway.

"We, of course, decided to price the IPO at a discount to the price we would have got normally in a good market. But we thought that let's leave money on the table for investors. It was a good decision that we made at the time, because investors very quickly were able to pocket good profits and that gave them more confidence to stay for the future," said Shah.

A key part of the growth has been through partnering with local laboratories. The idea, according to Shah, has been to seek synergies where the local partner can benefit from the company's experience and the company can also learn from them in a way that ensures growth. One such partner was Desai Labs in Surat, with which it began an association 10 years ago, and acquired in 2007. It's grown from a single lab, to having a significant presence with 16 per cent market share in the city, with revenue growing 10-15 times.

The focus on growth continues, though Shah admits that the macroeconomic situation has been challenging of late. She believes, however, that gains can continue. "We are in full investment mode. We continue to invest in new labs, new centres, and acquisitions," she said.

Acquisitions found mention in the December 2019 results too, with the company announcing that it acquired four labs in the quarter, and was in the process of acquiring a 51 per cent stake in Shraddha Diagnostic Centre in Ahmedabad.

For Dinesh Chandra Agarwal, MD and CEO of IndiaMART InterMESH, partnering

INDER T JAISINGHANI
Chairman and MD, Polycab India

"The increase in consumer spending, infrastructure growth, industrial investments, and the inevitable rise in nuclear, more affluent families will drive demand for innovative and premium products of the kind manufactured and sold by Polycab"

with and helping smaller businesses aided the company to grow and get listed. He recalled in his maiden annual report after going public that the company started with ₹40,000 in seed capital. This has since grown to a company that has more than ₹500 crore in annual revenues.

IndiaMART calls itself India's largest online marketplace, where businesses can buy and sell products and services from each other. This online business-to-business (or 'B2B') marketplace has helped people like Faruck Mansuri, a small businessman in Rewa, Madhya Pradesh, buy a cutting machine, a weighing machine and a feather cleaning machine to help in his meat business. Piyush Jain, who inherited a swimming pool business, now offers 450 customisable products. His turnover has grown 10-fold and his geographic reach has extended beyond Delhi, to a network with more than 500 dealers and distributors.

IndiaMART has a large base of micro, small and medium enterprises (MSMEs), and claims 5.5 million MSMEs listed on its platform, though it has lately also attracted large brands to its platform.

"We earn revenue primarily through the sale of subscription packages (available on a monthly, annual and multi-year basis) to suppliers, which offer a range of benefits, including the listing of their supplier storefronts on a priority basis, access to a lead management system, integrated access to third-party online payment gateways and access to request for quotes," it said.

The route has worked well, as its revenues and profits have grown. It is also betting on innovation to reach out better to customers. Agarwal gives the example of how search is now possible in nine different Indian languages through voice commands on the platform. There have been other moves too, to attract its target customers. This includes investing in video and algorithmic matchmaking initiatives.

"Internet penetration among India's MSMEs remains low, with 17 per cent of MSMEs using the internet for business purposes in 2017," he said of the potential for growth, going ahead.

The company is making other investments too, to leverage the potential of smaller companies that are going digital.

IndiaMART InterMESH bought a 26 per cent stake in a mobile accounting software application in the first week of September. "We will continue to look for possible opportunities where we can make investments," Agarwal said.

Another company which has been on a steady investment spree is Polycab India, which makes cables, wires, fans, lighting and other electrical equipment, and will invest ₹300 crore of capex this year. The company has said that it has been investing a similar amount over the last five or six years. The company's business has grown since then. So, relative to its business, the company has scaled back on expansion. However, it is in contrast to the rest of the private sector.

"A sharp decline in real fixed investment induced by a sluggish growth of real consumption has weighed down GDP (gross domestic product) growth," noted the latest Economic Survey. It said that the contribution of industrial activities to the economy has fallen during 2009-14 and also during 2014-19. Manufacturing and construction segments have contributed to the slowdown.

Polycab too has grown well in recent times, navigating the slowdown through reliance on markets outside India, too.

More growth lies ahead, believes Inder T Jaisinghani, chairman and managing director at Polycab India. "The increase in consumer spending, infrastructure growth, industrial investments, and the inevitable rise in nuclear, more affluent families will drive demand for innovative and premium products of the kind manufactured and sold by Polycab," he said.

However, not all new entrants in the BS1000 have fared equally well. Some, like Sterling and Wilson Solar, had difficulty meeting debt obligations and their stock has been under pressure.

On the other hand, there is a big outlier — Indian Railway Catering and Tourism Corporation (IRCTC) — which has gone up six-fold in value since September 2019 from its IPO price, as investors have lapped up its shares. ■