IN BRIEF

DPIIT notifies decision to allow NRIs to own 100% stake in AI

The Department for Promotion of Industry and Internal Trade (DPIIT) has notified a decision of the Union Cabinet to allow non-resident Indians (NRIs) to control up to 100 per cent stake in disinvestment-bound Air India. The FDI policy earlier permitted NRIs to take only 49 per cent stake in the airline. In its press note, the DPIIT said: "Foreign investments in Air India including that of foreign airlines shall not exceed 49 per cent either directly or indirectly except in case of those NRIs, who are Indian Nationals, where foreign investment is permitted up to 100 per cent under automatic route". On March 4, the cabinet had taken a decision in this regard. PTI

CARE downgrades Morgan Credits' rating to 'BB'

CARE Ratings has downgraded the rating for debentures of Morgan Credits' (MCPL), entity connected with Rana Kapoor family, from "BBB- "to "BB" on delay in monetisation of identified investments. The delay could be further exacerbated by the ongoing investigation of the promoters of MCPL by the ED and CBI. BS REPORTER

Jaypee acquisition: NBCC moves NCLAT seeking relief

NBCC moved the National Company Law Appellate Tribunal seeking relief on certain conditions related to farmers' compensation and payments to fixed deposit holders as well as dissenting financial creditors. The move comes less than three weeks after NBCC received nod from the NCLT to take over Jaypee Infratech. PTI

BSNL offers free broadband month to support WFH

State-run telecom firm BSNL announced free broadband service for its landline and customers for a month to support 'work from home' (WFH) allowed by most organisations amid the outbreak. New customers opting for copper cable based connection will not have to pay even installation charges but will need to buy modem for the service, BSNL said. PTI

Adani Ports raises ₹125 crore through debentures

Adani Ports and Special Economic Zone (APSEZ) on Friday raised ₹125 crore through issuance of debentures. "The company has raised ₹125 crore by allotment of 1,250 rated, listed, secured, redeemable, NCDs of the face value of ₹100,0000 each on private placement basis," APSEZ said. PTI

Airlines may ground 68% planes: Govt

ARINDAM MAJUMDER
New Delhi, 20 March

Indian airlines will ground 68 per cent of aircraft over the next two months because of the impact of the coronavirus outbreak (COVID-19), according to a calculation by the government. The firms currently have 633 aircraft and the government said they would operate only 200 of these.

This projection of the Ministry of Civil Aviation forms the basis of a relief package for the aviation sector, which has been the worst hit by COVID-19. The government has planned a host of measures as part of the relief package, including tax breaks on jet fuel, waiver of air navigation charges and parking charges at airports and soft loans at reduced interest rates to increase liquidity of airlines.

At a marathon meeting held on Thursday with chief financial officers of airlines and airports, the government calculated the quantum of losses airlines might suffer as passenger numbers fall daily. "Airlines have been sending SOS messages to the government daily because bookings have been negative for the last few days even on prime domestic services, the industry needs a substantially big financial package," said a CFO of a private airline. Negative booking implies that cancellations have been higher than fresh bookings.

Government sources, who were part of formulating the relief package, said that there would be multiple aspects to the package to take care of airlines' reduced cash flow. Primary measures will be extending a two month fuel credit from oil marketing companies, waiving landing and parking charges, and waiver of taxes on jet fuel like excise duty, value added tax.

Simultaneously, the government will also ask banks to offer soft loans to airlines at interest rate of 1-1.5 per cent from banks based in Gujarat International Finance Tec-City (GIFT). "Since airlines with weak balance sheet will find it difficult to raise money through external commercial borrowing after the crisis, we will ask banks based in GIFT city to offer dollar denominated loans," said an official.

For an Indian airline, a bulk of working capital is dollar denominated. These include aircraft lease rents, maintenance costs, salaries of expats, ground handling and parking charges abroad, and payments to global vendors.

CORONAVIRUS PANDEMIC

"Inclusive of fuel, dollar-linked costs of airlines would be 60-70 per cent. So, if we can raise debt in dollars, at cheaper rate, it is always beneficial," an airline executive said.

To provide free parking charges, the government is planning to invoke force majeure clause to give private airports a waiver from revenue sharing. Delhi and Mumbai airports pay 45.99 per cent and 38.7 per cent of their revenues, respectively, as fees to the Airports Authority of India. Simultaneously, air navigation charges will also be reduced by 50 per cent.

Industry groups and analysts have issued dire warnings about COVID-19's impact, with Sydney-based CAPA Centre for Aviation saying that most of the world's airlines could go bankrupt by the end of May unless authorities step in.

Operations hit

IndiGo is trimming its domestic operations by 25 per cent in view of reduced travel demand because of COVID-19, the airline said Friday.

On Sunday, IndiGo will operate around 60 per cent of its domestic flights to accommodate those with urgent travel requirements. Meanwhile, GoAir is suspending flights for the day to support PM Modi's call for a janata bandh. Vistara, too, will operate a reduced network. GoAir said it will protect all ticket PNRs dated March 22 and give affected passengers the option of redeeming tickets.

PROPOSED RELIEF MEASURES

- Two months fuel credit line
- Waiver of excise duty, VAT on jet fuel
- Soft loan at 1% rate
- Waiver of landing and parking charges

Air India to deduct 10% allowances of employees

Air India will slash staff allowances by 10 per cent, reduce onboard services, renegotiate contracts, and explore invocation of force majeure clauses in agreements to prune expenses. Aviation consultancy CAPA estimates Indian airlines (except Air India) will post $ 500-600 million loss in the first quarter. Carriers are cutting salaries and enforcing leave without pay to battle the demand slowdown due to the crisis.

The airline will enforce 10 per cent deduction in allowances (excluding basic pay, house rent allowance and variable dearness allowance) for all employees except cabin crew for three months starting March.

Only packed food will be served to ensure minimum contact with passengers in, and magazines, wet towels and blankets will not be allowed. ANEESH PHADNIS

IT firms may go slow on hiring

DEBASIS MOHAPATRA & NEHA ALAWADHI
Bengaluru/New Delhi, 20 March

Hiring of fresh engineering graduates from college campuses by IT services companies is likely to see a decline owing to uncertainties arising out of global spread of coronavirus.

According to experts in human resources (HR), even joining of new graduates is likely to be staggered as companies are expected to onboard staffers after gauging the demand scenario.

"We anticipate delay in joining dates for the freshers holding offer letters. Dishonouring letters of appointment may also happen if the user industries in the US and Europe continue to reel under the impact of the virus for the next eight weeks," said Aditya Narayan Mishra, chief executive officer of staffing firm CIEL HR Services.

He said hiring of engineering graduates might fall by 20-30 per cent if the virus was not contained in the next few weeks.

DEMAND SLOWDOWN EFFECT

- Joining of freshers may be staggered depending on demand environment
- Fresher hiring in 2020 is likely to come down by 30% if situation in the US and Europe linger
- Hiring was robust last year in anticipation of improving demand
- Job interviews to absorb lateral hires are being deferred owing to spread of coronavirus

In anticipation of demand, the top four IT firms of India added more than 50,000 freshers last year. Hiring of freshers graduates is also part of the initiative of most firms to rightsize their employee pyramid, which has become mid-level employee-heavy in recent years. Among IT firms, market leader Tata Consultancy Services (TCS) has added around 30,000 fresh graduates in this financial year. The company's management has said it will increase this number to 39,000 in the next financial year (FY21).

While Infosys has made 18,000 offers this financial year, Wipro has said it will onboard around 20,000 fresh graduates.

"Joining of fresh graduates is likely to be staggered now as companies are expected to turn cautious due to likely demand slowdown. So, it can happen over batches," said Pareekh Jain, an IT outsourcing advisor and founder of Pareekh Consulting.

"The real impact will be on hiring for next year (2021), which will depend on the demand outlook amid spread of coronavirus."

The IT industry is staring at a demand slowdown as many developed countries, including the US, have started to shut down establishments for imposing social distancing to fight the spread of virus. As a result, the companies are already witnessing delay in wining large deals, with reports suggesting that deal signings worth around $3-4 billion have been deferred in this month alone.

While fresher hiring hinges on the demand outlook, even job interviews for lateral hiring is getting delayed as companies are not able to conduct face-to-face interviews.

HUL sets aside ₹100 crore to fight COVID-19

VIVEAT SUSAN PINTO
Mumbai, 20 March

Hindustan Unilever (HUL), country's largest consumer goods company, on Friday said it had committed ₹100 crore to fight the COVID-19 epidemic in India.

It has also taken a host of other measures such as price cuts, free availability of soaps to the needy, a ₹10-crore donation for better testing facilities, and public awareness programmes.

"IN A CRISIS LIKE THIS, FIRMS HAVE A BIG ROLE TO PLAY. WE ARE WORKING CLOSELY WITH THE GOVERNMENT AND OUR PARTNERS TO ENSURE THAT WE OVERCOME THIS HEALTH CRISIS TOGETHER"

SANJIV MEHTA, CHAIRMAN & MD, HUL

Sanjiv Mehta, chairman and managing director of HUL, said: "In a crisis like this, companies have a big role to play. We are working closely with the government and our partners to ensure that we overcome this health crisis together."

The company was reducing the price of Lifebuoy hand sanitisers and hand wash, apart from Domex floor cleaners by 15 per cent. "We are commencing production of these reduced priced products immediately and these will be available in the market in the next few weeks," the company said in a statement.

It would also scale up production of hand sanitisers, hand wash, and floor cleaners over the next few weeks, the company said, to improve reach of these items.

The announcement, however, acquires significance since earlier this week the company had faced online backlash over price hikes in its soaps portfolio. The company had clarified that the price hikes were undertaken in January before the coronavirus outbreak in India.

On Friday, HUL indicated that it would donate two crore pieces of Lifebuoy soap in the next few months to poor sections of society. The firm also said it would donate ₹10 crore to upgrade the health care facilities in testing centres and hospitals across the country. It would also partner medical institutions that were providing testing and care facilities to the affected people.

Kubota to buy 10% in Escorts

THE DEAL

₹1,042cr: Value of the 10% stake

₹850 apiece: Issue price of equity share

48.21%: Premium Kubota will pay over the last traded price on March 19

12.2 million: Number of equity shares to be issued by Escorts to Kubota through preferential allotment

40%: Acquisition by Escorts Kubota's sales and marketing company in India

SHALLY SETH MOHILE
Mumbai, 20 March

Kubota Corp, a Japanese global tractor and machinery manufacturer, will acquire 10 per cent equity stake in Escorts as the two companies aim to achieve global leadership by partnering in product development, manufacturing and sourcing, Escorts said in a notification to the exchanges.

Escorts will issue and allot over 12.2 million equity shares through a preferential issue to Kubota at ₹850 apiece for ₹1,042 crore, according to its exchange filing. That's a 48.21 percent premium over Thursday's share price. Escorts will reduce an equal number of shares held by Escorts Benefit and Welfare Trust to keep the total equity capital of the company unchanged.

Following the deal, Kubota will have right to nominate two non-executive board members on the board of Escorts

Simultaneously, Escorts will acquire 40 per cent stake in Kubota Agricultural Machinery India, the marketing and sales company of Kubota in India. Kubota and Escorts have a 60:40 joint venture called Escorts Kubota India.

Firms allowed to hold board meetings via video-conference

RUCHIKA CHITRAVANSHI
New Delhi, 20 March

The government has relaxed the requirement of holding board meetings with physical presence of directors for activities, including approval of financial statements, as part of the precautionary measures to check spread of the coronavirus pandemic.

The corporate affairs ministry has issued a notification to allow companies to hold such meetings through video-conferences till June 30. Companies will have to follow all requirements laid out under the rules for holding board meetings via video-conferencing such as recording of these proceedings and ensuring availability of proper equipment.

The companies' rules do not allow certain matters to be dealt with in a meeting through video-conferencing or other audio visual means. These include the approval of the prospectus, annual financial statements, board's report, matters relating to amalgamation, merger, demerger, acquisition and takeover and the audit committee meetings for consideration of accounts. For all other matters, board meetings can be done through video-conferencing. A director participating in a meeting via video-conferencing or other audio visual means is to be counted for the purpose of quorum. Detailed rules are laid down for the manner in which such video-conferencing has to be held.

Metal prices likely to remain volatile over coronavirus concerns

ISHITA AYAN DUTT, ADITI DIVEKAR & RAJESH BHAYANI
Kolkata/Mumbai, 20 March

The S&P BSE Metal index has underperformed the benchmark Sensex by a wide margin. Since fear of the coronavirus (COVID-19) outbreak gripped the markets, the index has fallen by about 43 per cent compared to 29 per cent in the case of the Sensex.

At the London Metal Exchange (LME), the price of aluminium, copper and zinc have also fallen sharply, ranging between 10 per cent and 25 per cent; steel prices are still holding out, but there are signs of a correction in the | weeks ahead.

In the last three months, steel prices increased by 15 per cent; the last round of hike in March (at ₹500-800), is still holding. However, the market believes that a correction is likely in April.

Analyst reports suggest that margins are likely to contract from the first quarter. What's more, China has increased export tax rebates. This indicates that it's keen on pushing exports from the country. The domestic hot rolled coil (HRC), a benchmark for flat steel, is anyway at a two per cent premium to the landed price of imports from South East Asian countries.

Jindal Steel & Power managing director V R Sharma said demand was stable at the moment but sentiment was down as people are scared because of the virus outbreak.

Sharma does not expect prices to go up further but is not overtly worried. The next one month, he believes, will be good for exporters. "Lots of enquiries are coming from China," he said.

On Chinese imports into India in light of the rebates, Sharma said, it was not a threat. They would have to meet BIS standards.

Within the domestic steel industry, secondary players that account for 55 per cent of the production, however, are most vulnerable; they are fragmented and have exposure only to small projects.

Large players, on the other hand, have huge projects and institutional funding. So, a price dip will impact secondary players significantly if the virus outbreak is not contained.

However, there are also concerns on supplies as more and more states announce lockdowns which reflected in steel long April contract on ICEX. It surged ₹620 on Friday or 2.6 per cent from the previous close to ₹28,740 a tonne. The contract had, however, closed in February at ₹31,740 a tonne.

Margin pressure for aluminium to continue

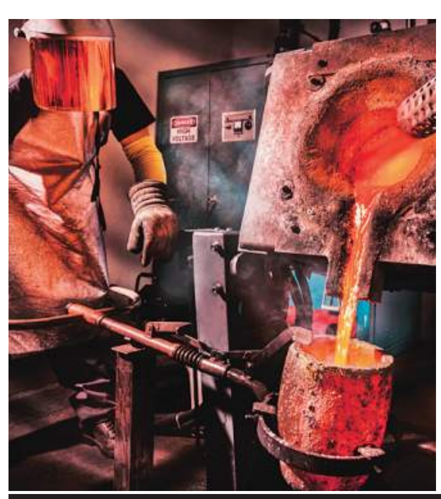
Aluminium, which has anyway been weak, may see further corrections in the short-term. S K Roongta, chairman, Balco, said, the virus outbreak may have an adverse impact on demand in the short-term.

"In the long-term, the infrastructure push will bring back demand."

The apprehension is that projects may slow down. "The aluminium conductor sector continues to be under pressure of low margins and low volumes due to lack of orders. The wire and cable segment, too, is feeling the heat as new orders have slowed," said metal industry expert and consultant, Sandeep Daga, director, Regsus Consulting.

An industry official said that, usually, companies and bulk users finalise supply contracts with manufacturing companies at the end of the financial year.

IN THE RED



	Jan 14, '20	Mar 20, '20	% change Since Jan 14	% change 1 day
S&P BSE SENSEX	41,952.6	29,916.0	-28.7	5.8
S&P BSE METAL	10,769.8	6,131.2	-43.1	8.0
(Price in ₹)				
Jindal Steel & Power	173.9	104.7	-39.8	12.9
Tata Steel	498.5	298.1	-40.2	9.6
Vedanta	164.9	75.4	-54.3	8.7
JSW Steel	281.0	176.5	-37.2	8.5
NMDC	125.9	72.0	-42.9	7.9
Hindustan Zinc	214.0	136.0	-36.5	7.3
Coal India	213.1	132.5	-37.8	6.7
SAIL	50.8	26.8	-47.3	6.2
National Aluminium	47.1	32.4	-31.2	5.9
Hindalco Industries	211.9	105.5	-50.2	5.9

Source: BSE

"Negotiations have been going on but because of a sudden fall in metal prices and talk of global recession, most bulk users are not finalising supply contracts. The domestic industry was facing a slowdown for over a year now and already cutting inventories. Things are only worsening," the industry official said.

Copper plunges as China yet to get back to work

In the last one month, LME copper prices have fallen by about 15 per cent. Hindustan Copper officials said, with virus-hit China slow in return to work, copper demand has taken a plunge. China is the largest user of copper in the world.

"The price of the red metal has fallen drastically on the LME. Consumer spending is showing a contraction as COVID-19 marches across the globe. Additionally, the outbreak has caused supply chain disruption which is sure to have an adverse effect on the copper industry," they said.

ICRA senior vice-president, Jayanta Roy, said, "Prices have dropped due to concerns on health of the global economy on the back of the virus outbreak, but possibly supply disruptions have not been taken into consideration. The world's largest copper producer, Codelco, has announced that it will reduce its operations. This is to comply with a state of emergency announced by the government in an attempt to curb spread of the virus. Sooner or later, that will have an impact on supply."

Dip in iron ore business

A senior official of Essel Mining & Industries, said, "We (the iron ore mining industry) are witnessing a dip in business no doubt, but are hopeful that business conditions will improve over the next three months as China starts reporting fewer new COVID-19 cases."

As of now, work at mining sites is on as usual and there is no curtailment on mining activity. The Aditya Birla Group company has iron ore mines in Odisha.

Prices have, however, dropped. The widely used 10-30 mm lump prices have fallen ₹400-500 per tonne since January to ₹4,500 per tonnes now. This price level is the same as the March 2019 price point. Prices of iron ore fines, on the other hand, have remained unchanged in the Odisha region. The dominant player, NMDC, has lowered prices by ₹50 a tonne for fines and ₹60 a tonne for lumps. But on a month-on-month basis, prices have increased by ₹380 a tonne.

Global zinc stock is at a minimal level but prices have been driven by sentiment

According to Rahul Sharma, director-India, International Zinc Association, all domestic steel manufacturing units that are major consumers of zinc are based in remote areas, and out of the COVID-19-impacted area or cities.

"As of now, no manufacturing unit has curtailed steel production. So, if the government is able to contain COVID-19, then we will not see any impact on zinc consumption in the country for sure," Sharma said.