

19 ECONOMY

GOLD	RUPEE	OIL	SILVER
₹41,705	₹75.20	\$26.15	₹38,100

*Indian basket as on March 19, 2020

SENSEX: 29,915.96 ▲ 1627.73 NIFTY: 8,745.45 ▲ 482.00 NIKKEI: 16,552.83 ▼ 173.72 HANG SENG: 22,805.07 ▲ 1,095.94 FTSE: 5,248.24 ▲ 96.63 DAX: 8,964.59 ▲ 354.16

SECTOR WATCH AVIATION

Air India to renegotiate lease, hotel agreements; push cargo sales to maximise revenue

PRANAV MUKUL
NEW DELHI, MARCH 20

THE GOVERNMENT'S decision to put a blanket ban on international commercial scheduled flights is expected to severely hurt national carrier Air India, which sees nearly 60-70 per cent of its revenues from foreign operations. This has made Air India take a series of measures to mitigate the stress arising from the COVID-19 crisis, including beginning renegotiation of lease contracts, renegotiation of hotel agreements, reduction in salaries, and an aggressive push to increase cargo sales at a time when passenger loads are minimal.

"In the wake of recent global developments and the serious impact of COVID-19 pandemic, which has adversely impacted aviation industry both in the domestic as well in the international front there is an insurmountable dip in the revenue which calls for stringent measures to reduce our costs. All airlines have taken drastic steps to survive the current crisis and an urgent need is felt to take steps to curtail costs to mitigate the current financial crisis," an Air India office order, listing 21 financial and personnel measures, noted.

On Thursday, the government announced that no incoming scheduled international commercial passenger aircraft shall be allowed to disembark passengers on Indian soil after 1:31 am of March 23 till March 29. The move will result in full cancellation of international flights to and from India.

On a daily basis, around 300 international flights fly to

The government has banned commercial international flights to India from March 22 for a week

airports across India, a number reduced to almost 100 due to curtailment of schedules over the past three weeks.

"In view of reduction in passenger load due to COVID-19, cargo sale to be aggressively taken up for optimal utilisation of available space/load to ensure maximum revenue," the Air India order said.

Further, with the international flight ban, India's air cargo segment is also expected to be severely hit. According to aviation industry sources, nearly 60 per cent of international cargo volumes come from underbelly cargo space, while the remaining comes from freighter aircraft. While freighter aircraft will continue to operate, cargo volumes are expected to plummet.

Suspension of foreign operations has deeply affected ground-handling players like Celebi Aviation, which is almost entirely dependent on international flights for revenues. The company has, so far, seen almost 80 per cent of its revenues compromised.

"There has been a steep fall in the number of flights being handled. It's almost negligible now. With a workforce of over 8,000, we might have to take up some extreme decisions like 'leave without pay' and other measures as an alternative to try and secure our market viability," said Murali Ramchandran, CEO-India, Celebi Aviation.

INDEX CLOSES SESSION AT 29,915; DOWN 12.27% DURING THE ENTIRE WEEK

Relief rally: Sensex jumps 1,628 pts on stimulus hopes

ENSECONOMIC BUREAU
MUMBAI, MARCH 20

DOMESTIC MARKETS on Friday staged a smart recovery on hopes of a stimulus package to revive the coronavirus-hit economy and a global equity rally. After opening over 2,485 points, the BSE Sensex zoomed 1,628 points or 5.75 per cent higher to 29,915.96. The NSE Nifty zoomed 482 points, or 5.83 per cent, to close at 8,745.45.

However, the Sensex plummeted 4,187.52 points, or 12.27 per cent, while Nifty sank 1,209.75 points, or 12.15 per cent, during the week. Analysts said the special COVID-19 economic task force announced by Prime Minister Narendra Modi is likely to work on an economic package for the sectors most affected by the outbreak as also people working in the informal sectors. India Inc has already sought steps like relaxation in NPA norms, deferral of tax payments and announcement of income support to the people working in the unorganised sector.

EXPLAINED

Recovery due to global cues, unsold positions

MARKETS MANAGED to gain nearly 6 per cent on Friday due to the rebound in global indices and hopes of a stimulus package from the government. In line with the benchmark index, sectoral indices ended higher and the broader market, too, closed with modest gains. Friday's surge could just be a recovery due to oversold positions and sustainability would be difficult at higher levels.

The news flow on the spread of coronavirus continues to be mixed with exponential jump in new cases in US though there is improving trend in China. Thus, the volatility could persist in the near term.

According to Ajit Mishra, VP-research, Religare Broking, markets managed to gain nearly 6 per cent on Friday, thanks to the rebound in global indices and hopes of the stimulus package from the government. In line with the benchmark index, sectoral indices ended higher and the broader market too closed with modest

RBI plans OMOs of ₹30,000 cr

Mumbai: The RBI has decided to pump more liquidity into the market by conducting purchase of government securities under Open Market Operations (OMOs) for an aggregate amount of Rs 30,000 crore in two tranches of Rs 15,000 crore each in the month of March 2020.

The first OMO purchase auction will be conducted on March 24, 2020 for Rs 15,000 crore through a multi-security auction using the multiple price method. **ENS**

Forex reserves decline for first time in 25 weeks

At \$481.89 bn— down \$5.35 bn— from record high of \$487.23 bn

ENSECONOMIC BUREAU
NEW DELHI, MARCH 20

FOLLOWING A sharp outflow of funds by foreign portfolio investors from the Indian securities market over the last couple of weeks, after the global scare around the spread of the coronavirus, foreign exchange reserves witnessed their first weekly decline in 25 weeks, or six months. For the week-ended March 13, forex reserves stood at \$481.89 billion and it fell \$5.35 billion from the all-time high of \$487.23 billion in the week-ended March 6, 2020.

The decline is primarily driven by sharp outflow of funds by FPIs over the past three weeks. According to data sourced from CDSL and stock exchanges, FPIs have sold net holdings worth Rs 1.13 lakh crore, or \$15.3 billion, in March (till Friday). The outflow has also led to a steep fall in the stock markets as the Sensex has lost 8,383 points, or 21.2 per cent, this month.

Between September and February, FPIs invested a net of Rs 58,337 crore or nearly \$8 billion.

According to the data released by the Reserve Bank of India, while foreign exchange reserves fell by \$5.35 billion in the reporting week-ended March 13, the decline in reserves was mainly on account of a decrease in foreign currency assets, which fell \$3.8 billion to \$447.35 billion from a high of \$451.13 billion, a week back.

Despite the decline in reserves over the week-ended March 13, forex reserves are, anyway, up by \$53 billion since September 20, 2019.

Since September 20, when the Finance Minister announced a cut in corporate tax rates, forex reserves have been rising week-on-week and shot up to an all-time high of \$487.23 billion in the week-ended March 6, 2020.

A sharp decline in global crude oil prices, however, has been a blessing in disguise for India during this period. As crude oil amounts for almost 20 per cent of India's import bill, crude prices coming down to levels of \$28 per barrel over the last couple of weeks provides comfort on the current account front. It has also given central government the headroom to raise the duty on petrol and diesel prices by Rs 3 per

STATUS OF FOREX RESERVES

Week ended	Forex (\$ bn)
Sep 20	428.57
Sep 27	433.59
Oct 4	437.80
Oct 11	439.70
Oct 18	440.75
Oct 25	442.50
Nov 1	446.09
Nov 8	447.80
Nov 15	448.20
Nov 22	448.50
Nov 29	451.08
Dec 6	453.40
Dec 13	454.49
Dec 20	454.90
Dec 27	457.46
Jan 3	461.15
Jan 10	461.21
Jan 17	462.15
Jan 24	466.69
Jan 31	471.30
Feb 7	473.01
Feb 14	476.09
Feb 21	476.12
Feb 28	481.54
Mar 6	487.23
Mar 13	481.89

Source: RBI

'53% of India Inc sees impact on operations'

In wake of the coronavirus outbreak, 53 per cent of Indian companies see impact on their operations and nearly 80 per cent have witnessed a decline in cash flows, as per a Federation of Indian Chambers of Commerce and Industry survey



Need to maintain liquidity at surplus levels and provide special liquidity support for any companies/NBFCs/banks that come under strain due to intensifying risk aversion in financial markets

53% OF BUSINESSES INDICATE THE IMPACT OF CORONAVIRUS PANDEMIC ON BUSINESS OPERATIONS EVEN AT EARLY STAGES

REASONS

- Direct impact on demand and supply of goods and services
- Reduced cash flows due to slowing economic activity,

80% report a decrease in cash flow

SPILLOVER EFFECTS
Impact on all payments including to those for employees, interest, loan repayments and taxes

60% OF RESPONDENTS HAVE SEEN IMPACT ON THEIR SUPPLY CHAINS AND EXPECT THE SITUATION TO WORSEN FURTHER

WAY OUT
A combination of monetary, fiscal and financial market measures is needed to help the businesses and people cope with the crisis

100-BP CUT
The Reserve Bank of India needs to support the Indian industry and economy at this juncture by bringing down the cost of funds further through reduction in policy rates, say, by close to 100 basis points

Banks should be given a flexibility to reschedule payment terms without the need for provisioning

Source: Ficci/PTI

Will compile all suggestions, take decisions 'as soon as possible': FM

ENSECONOMIC BUREAU
NEW DELHI, MARCH 20

FINANCE MINISTER Nirmala Sitharaman Friday held a series of meetings with Aviation, Tourism, Animal Husbandry and MSME Ministries to assess the economic impact of coronavirus on a wide range of sectors and to prepare the government's response to alleviate the stress caused to the economy due to disruption of economy activity. Speaking to reporters after her meetings, Sitharaman said

wise... The work we are doing will go into the task force's assignment also," she said.

To a query on whether government will announce steps for the financial sector, Sitharaman said: "Today the Sebi has come up with a list of regulations, which will also sort of keep the markets a bit stable I would think. But what are doing today I can't pair it out to say I am doing this for markets but I am doing that for the unorganised sector like that. At the moment we are at the critical stage of collecting everybody's inputs and also ministry is working in detail about all the inputs that have come."

After a meeting with the FM on Friday, Union Minister of Animal Husbandry, Dairying and Fisheries Giriraj Singh said various relief measures for the sector were discussed.

"Livestock industry has been hit badly because of the coronavirus outbreak. We discussed various kinds of measures, including loan restructuring, that can help people engaged in this sector," Singh said after the meeting, as per a PTI report.

Sitharaman also held a meeting with Minister for Aviation and Housing and Urban Affairs Hardeep Singh Puri, as the aviation sector has been one of the worst impacted. Aviation industry ranging from airlines to ground handling companies and airports are facing financial crunch due to the clampdown on flights to contain coronavirus spread. Stakeholders from the aviation industry in India have demanded government support to help them sail through these headwinds.

While private airport operators

have asked for a special cess on passenger tickets to help them deal with additional costs on account of various measures undertaken, ground handling companies have sought support in form of waiver of airport charges, moratorium on statutory and bank payments to help lower the burden.

Airlines, on their part, have made representation to the government to relax the minimum slot-use rules to ensure that they do not have to fly empty aircraft in order to maintain their airport slots in the next schedule.

Airlines join tomorrow's Janata curfew, curtail ops

ENSECONOMIC BUREAU
NEW DELHI, MARCH 20

RESPONDING TO Prime Minister Narendra Modi's pitch for a Janata curfew on Sunday, airlines have curtailed the number of flights they will operate on March 22. While IndiGo, SpiceJet and Vistara will be operating a reduced schedule, budget airline GoAir has suspended all of its flights on Sunday.

India's largest airline IndiGo will be operating only 40 per cent of its flights on Sunday,

near empty domestic skies, airlines are also reducing capacities to be in line with the plummeted demand caused by the COVID-19 outbreak.

"Going forward, responding to the various travel restrictions imposed worldwide, most of our international flights are suspended and additionally, given the reduction in domestic demand, we are trimming our domestic India operations by approximately 25 per cent for now," IndiGo said in a statement.

National carrier Air India has also decided that in view of re-

duction in passenger load and to optimise available resources and contain costs, the airline will review the flight schedule by clubbing or curtailing its flights.

According to civil aviation rules, airlines, when cancelling flights must refund their passengers in full or accommodate them on different flights. However, in case of force majeure situations, where such massive scale of refunds could place an airline under severe stress, the carriers tend to offer alternate mechanism such as a credit shell for a fixed time period.

Interest rate payout for next fiscal: Tough road ahead for EPFO

ENSECONOMIC BUREAU
NEW DELHI, MARCH 20

WITH THE continuous slide in stock markets in wake of the COVID-19 outbreak, the Employees' Provident Fund Organisation (EPFO) is closely monitoring its equity market-linked investments. Officials said the retirement fund body might find it tough to make its interest rate payout at over 8 per cent for the next fiscal, but, as of now, the recently announced rate of 8.5 per cent for 2019-20 still holds.

Separately, the Finance Investment & Audit Committee (FIAC) of the EPFO is planning to hold a special meeting soon to take stock of the investments of the EPFO amid the emerging market situation, they said.

Earlier this month, the Central Board of Trustees (CBT) of the EPFO recommended the interest rate to be cut to a seven-year low of 8.5 per cent for 2019-20 for its 6 crore active subscribers. The proposed 8.5 per cent rate will leave a surplus of Rs 700 crore with the retirement fund body, while retaining interest rate at last year's 8.65 per cent would have left a deficit of around Rs 350 crore.

"We are closely monitoring the developing situation. Any downturn in markets will impact the

Oil gains on stimulus, but Wall Street shaky

REUTERS
WASHINGTON/LONDON, MAR 20

OIL PRICES rose on Friday as the world's richest nations poured unprecedented aid into the global economy to stop a coronavirus-driven recession and US President Donald Trump hinted he may intervene in the price war between Saudi Arabia and Russia. The US Federal Reserve continued to roll out emergency support on Friday as it enhanced efforts with other major central banks to ease a global dollar funding crunch and backstopped market essential for US state and local government finances.

Brent crude futures were up \$2.12, or 7.4 per cent, at \$30.59 a barrel by 1012 GMT.

Wall Street's main stock indices rose over 1 per cent, as dramatic intervention by US policymakers halted the worst monthly selloff in US equities in three decades. However, it gave up its early gains.

On Wall Street, the Dow Jones Industrial Average fell 31.52 points, or 0.16 per cent, to 20,055.67. The S&P 500 lost 11.84 points, or 0.49 per cent, to 2,397.55.

In a coordinated statement with other central banks, the Fed said it would enhance the permanent US dollar liquidity swap line arrangements it has with the Bank of Canada, Bank of England, Bank of Japan, European Central Bank and Swiss National Bank.

Cos, LLPs to file form to show corona readiness

ENSECONOMIC BUREAU
NEW DELHI, MARCH 20

COMPANIES AND Limited Liability Partnerships (LLPs) will soon have to file a web form to confirm their readiness to deal with the threat from the COVID-19 pandemic. The Corporate Affairs Ministry, which is set to launch the form on March 23, has advised all companies and LLPs to allow employees to work from home till March 31.

Companies and LLPs are requested to report compliance to the CAR (company Affirmation towards Readiness towards COVID-19) form, which must be filed by authorised signatory of the firm on the day the form is launched.

FIGHTING COVID-19

Fitch cuts growth to 5.1% New Delhi: Fitch Ratings has cut India growth forecast to 5.1 per cent for FY21, saying supply disruptions due to the outbreak are likely to hit investment.	Gold prices zoom ₹1,395 New Delhi: Gold prices jumped Rs 1,395 to Rs 41,705 per 10 gram in the national capital following rally in the international prices of the precious metal, as per HDFC Securities. PTI
CII writes to PM seeking stimulus New Delhi: CII on Friday pressed for a fiscal stimulus of Rs 2 lakh crore besides a slew of tax cuts and reduction in interest rates to combat the impact of coronavirus on the industry as well as the economy.	Walmart to hire 1,50,000 workers San Francisco: Walmart plans to hire 1,50,000 people to meet increased demand during the coronavirus crisis and will pay out \$365 million in bonuses, the US retail giant said. AFP

HUL cuts sanitiser, handwash prices; commits ₹100 cr

Mumbai: Hindustan Unilever Ltd (HUL) on Friday said it has committed Rs 100 crore to help in the fight against coronavirus and announced a 15 per cent cut in the prices of Lifebuoy sanitisers, Lifebuoy Liquid handwash and Domex floor cleaners.

"We are commencing production of these reduced priced products immediately and these will be available in the market in the next few weeks," it said.

HUL said it will partner medical institutions that are providing testing and care facilities to affected people and provide them free supplies of sanitation and hygiene products such as hand sanitisers, bar soaps and floor cleaners. **ENS**

'Will ensure full payments to workers'
Mumbai: Tata Sons Chairman N Chandrasekaran on Friday said Tata group companies will ensure full payments to the temporary workers and daily wage earners who are working in its offices and sites in India for the months of March and April 2020.

He said the payments will be made even if these workers are not able to work due to either quarantine measures, site closures, plant shutdowns or other reasons due to the coronavirus pandemic. **ENS**