CRUDE WATCH
OIL FALLS FOR FOURTH WEEK

New York: US crude tumbled 10.7 per cent Friday and posted its biggest weekly decline since the 1991 Gulf War as the coronavirus epidemic dried up demand and as officials in Washington said an envoy would head to Saudi Arabia to deal with the fallout of a price war. **REUTERS**

LARGEST MONTHLY OUTFLOW IN HISTORY OF DOMESTIC MARKETS
COVID-19 infects markets: FPIs withdraw ₹1 lakh crore from equity, debt in March

GEORGE MATHEW
MUMBAI, MARCH 21

FOREIGN PORTFOLIO investors (FPIs) have pulled out close to Rs 1,00,000 crore (US $13 billion) from India in March, as the coronavirus pandemic and the carnage in the financial markets have forced FPIs to derisk from emerging market assets across the world. This is the largest monthly outflow in the history of the Indian markets, which also led to the rupee falling below the 75-level against the US dollar.

Of this, Rs 49,507 crore was withdrawn from the equity market by FPIs who were big sellers in large-cap stocks in the last two weeks. FPIs withdrew another Rs 49,228 crore from the debt market, according to the data from the National Securities Depository Ltd (NSDL). However, total withdrawals amounted to Rs 95,485 crore as Rs 3,256 crore has been invested in debt-VRR by FPIs in March.

When the global financial crisis rocked the markets in 2008, total equity outflows during the entire year amounted to only Rs 52,987 crore. However, India received FPI inflows of Rs 83,423 crore into equity in calendar year 2009 and Rs 1,33,266 crore in 2010. In 2019, FPI equity inflows were at Rs 1,01,122 crore.

Sustained selling by foreign investors has contributed to the sharp sell-off of 21.88 per cent, or 8,382 points, to 29,915.96 in the benchmark Sensex in March.

Even investors in most markets sold off bonds of all grades to accumulate cash, but most assets saw historic exit activity as investors across regions braced for an economic slowdown. "Coronavirus fear is intensifying worldwide and fresh travel bans seem to hurt the global economic sentiment. Global markets are in meltdown as the pandemic spreads, with trillions in shareholder value erased and even safe assets such as gold have been sold to cover losses," IFA Global said in a report.

Bank of America says, "The Crash of 2020" wiped out as much as $24 trillion from the global stock market and roiled nearly all financial assets as the coronavirus pummelled economies around the world." On March 17, the Philippines halted stock, bond and currency trading until further notice, becoming the first country to shut financial markets in response to the widening coronavirus pandemic. This raised fears that other exchanges following the same path soon. Though the Federal Reserve cut US interest rates to zero before financial markets opened last Sunday and joined forces with other central banks in a bid to prevent a severe economic downturn caused by the coronavirus pandemic, FPI selling continued in the Indian markets. In a normal situation, a sharp cut of 100 bps by US Fed would have led to a spurt in foreign investment in emerging markets like India, said an analyst.

The spectre of a fall in global growth and the decline in crude oil prices will impact FPI inflows as investors expect emerging market economies to take a beating, analysts said. "We cut our FY2021 FPI inflow forecast by $5 billion. A drop in oil prices on risk off leads to FPI outflows. We cut our real GVA growth forecast by 10 bps to 4.8 per cent in FY20 and 20 bps to 5.4 per cent with our global economics team slashing 2020 global growth by 60 bps to 2.2 per cent," said a Bank of America Merrill Lynch report.

In the case of a global recession pulling world GDP growth to 1.4 per cent, India's FY21 growth will likely drop to 4.4 per cent. "Our BofA India Activity Indicator is certainly pointing to a long and deep bottom," the report said.

EXPLAINED
Investors bracing for slowdown

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FPI INVESTMENTS IN 2020 (₹ CRORE)

	Equity	Debt	Debt-VRR	Hybrid	Total
January	12,123	-11,648	529	-46	957
February	1,820	2,097	2,637	2,416	8,970
March **	-49,507	-49,228	3,256	-7	-95,485
Total	-35,564	-58,779	6,422	2,363	-85,558

Source: NSDL

Cabinet okays 3 schemes worth ₹48K cr to promote electronics manufacturing

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 21

THE UNION Cabinet on Friday approved three new schemes, worth over Rs 48,000 crore, to promote large-scale electronics manufacturing, electronic component, and semiconductor manufacturing in the country, Information Technology Minister Ravi Shankar Prasad said on Saturday.

To promote large-scale manufacturing in the country, the government has decided to provide production-linked incentive (PLI) to global and domestic companies engaged in manufacturing, assembly, testing, marking, and packaging of mobile phones as well as certain specified electronic equipment.

A PLI of 4-6 per cent will be given to the manufacturing units, based on incremental sales for five years from the base year during which the company starts making these products in India, Prasad said, adding the government intends to spend nearly Rs 41,000 crore on the scheme.

A second scheme to further promote electronics manufacturing clusters was approved by the Cabinet on Friday, Prasad said. Under the scheme, electronics manufacturing clusters spread over a minimum area of 200 acres in the plains and at least 100 acres in the hills and Northeast India will be given financial assistance of up to Rs 70 crore per 100 acres.

For the common facility centre, which will have plug-and-play facilities for smaller units around the anchor company, the government intends to finance up to 75 per cent of the project cost, subject to a maximum of Rs 75 crore. The government plans to spend Rs 3,762 crore on the project over the next 8 years.

A third scheme, which will provide a financial incentive of 25 per cent on capital expenditure for making goods that constitute the supply chain of an electronic product, has also been approved by the Cabinet, Prasad said. The total outlay on the project is Rs 3,285 crore over the next 8 years.

The government's initial plans to make India a hub for high end large electronics equipment and semiconductor units hit a roadblock after most global companies opted to assemble in India rather than set up manufacturing units.

The Economic Survey 2019-20 noted this and observed India should follow the Chinese model of becoming an assembling hub for the world for 'network products' such as computers, electronics, and related vehicles to raise its share in the world export market.

Among the major focus industries targeted under the Make in India scheme, the mobile, telecommunication and electronics equipment manufacturing, is still largely restricted to the assembling of knocked-down kits despite a slew of global companies having set up units in the country.

PLI FOR COMPANIES

■ **The Centre has decided to provide production-linked incentive to global and domestic companies engaged in manufacturing, assembly, testing, marking, and packaging of mobile phone as well as certain specified electronic equipment**

Centre asks social media intermediaries to curb, take down misinformation

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 21

THE MINISTRY of Electronics and Information Technology on Saturday wrote to all social media intermediaries to initiate awareness campaigns warning users not to circulate or upload any false information or news regarding COVID-19.

Such misinformation or fake news is likely to create panic and disturb public order, the advisory said. Social media intermediaries must also take down or disable such content on a priority basis, the Ministry said in its advisory.

Social media intermediaries operational in India have been introducing several measures to curb the menace of fake news and prevent misinformation in India. While Facebook-owned WhatsApp started depicting "forwarded" or multiple forward indicators on messages circulated several times across the internet, Facebook itself has tied up with some independent fact-checkers to let people know that a news or information that has been shared by independent fact auditors might be wrong.

Apart from them, micro messaging application Twitter has also been under a lot of pressure to control the huge influx of unverified news that is circulated on its platform. After criticism, the company said on Thursday it would remove or block from viewing any tweets that could cause harm by spreading any misinformation about COVID-19.

The advisory has also asked them to promote dissemination of authentic information related to COVID-19. Social media intermediaries like Facebook and Instagram have been showing on their platform the links to World Health Organization's dos and don'ts regarding the virus, and how to contain its spread.

DoT asks states to ensure critical telecom functions remain operational

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 21

THE DEPARTMENT of Telecommunications (DoT) on Saturday wrote to the chief secretaries of all the states and Union Territories to ensure that critical telecommunications services remained uninterrupted in view of many states curbing travel bans and movement restrictions to contain the outbreak of COVID-19.

The DoT asked the states to allow the movement of staff maintaining these services as well as ensure continuous supply of power to these telecom units.

In the letter, DoT advisor K Ramchand suggested that the states allow free movement of people working on key and critical telecom equipment and infrastructure and ensure the support of police personnel as well as national disaster response force if the need be.

"The movement of vehicles carrying diesel for the diesel generator sets at critical telecom infrastructure be permitted.

"Also sufficient availability of diesel be facilitated," Ramchand said in his letter to the state chief secretaries.

With experts warning that the country could likely enter the critical phase of community transmission and that it was important for people to remain indoors as much as possible to break the chain of virus transfer from one person to another, almost all the states have announced restrictions in one form or another.

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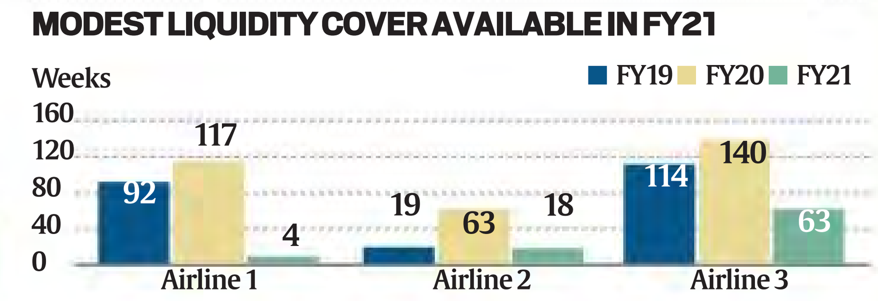
Coronavirus clips domestic airline industry's wings

With the spread of COVID-19 showing no signs of slowing down in India, the aviation industry has found it imperative to curb costs for being able to survive this crisis. Experts believe with social distancing on the rise, a return to normalcy could become a long-haul dream if the outbreak does not recede within the next three months.

THE ACTION:

■ Governments are clamping down on air travel to arrest the inflow disease carriers
■ Scores of airlines cancelled as many as 90% of their flights
■ No international flight will be allowed to land in India Monday onwards for a week
■ India's largest airline IndiGo to trim domestic operations by approximately 25%

MODEST LIQUIDITY COVER AVAILABLE IN FY21



Note: Base case assumes that the outbreak is contained in 3 months; Source: Ind-Ra, Ace Equity

THE REACTION:

■ Indian airlines may ground 150 planes, or nearly a fifth of the country's commercial fleet
■ Airlines may incur combined losses of $500 million-$600 million for January-March quarter
■ The situation is hitting airlines' cash-flow, which is deemed to be the life-blood for the sector
■ One low-cost airline in India only has four weeks of liquidity cover available
■ Most others have less than two months of cash to cover their fixed expenses

WHAT IS NEEDED:

■ Airlines need to severely trim costs in line with the drop in revenues
■ Some Indian carriers may need to temporarily shut down operations to cut losses

HOW AIRLINES ARE CUTTING COSTS:

IndiGo has announced salary cuts for most of its employees; CEO to take 25% pay cut
GoAir has initiated a short term and temporary rotational leave without pay programme
Air India is renegotiating agreements with lessors and hotels, in addition to staff pay cuts
Air India has also stopped induction of fresh employees

Sources: India Ratings, CAPA, Airline Documents

FIGHTING THE VIRUS

Soap makers reduce prices

New Delhi: HUL, Godrej Consumer and Patanjali said they are reducing the prices of soaps, hygiene products and ramping up production.

Govt launches chatbot

New Delhi: The Centre has launched a chatbot on WhatsApp to address user queries about the pandemic.

Govt caps MRP of sanitisers

New Delhi: The Centre has capped MRP of hand sanitiser at Rs 100 per 200ml bottle till June 30.

NCLAT to hear 'urgent matters'

New Delhi: The NCLAT has restricted itself to hear only "urgent matters" till April 1. **PTI**

BSE, NSE allow brokers to shift terminals to homes

ENS ECONOMIC BUREAU
MUMBAI, MARCH 21

THE BSE and the National Stock Exchange (NSE) have allowed brokers to shift and operate trading terminals from other locations, including their homes, in view of the prevailing coronavirus pandemic.

"Members, opting for this facility, will be permitted to operate the trading terminals from such locations subject to compliance of certain guidelines. Members, should frame an internal policy in this regard clearly mentioning the controls and checks put in place to prevent any unauthorised trading activities," the NSE said.

According to the BSE, members should have a mechanism in place to monitor such terminals and ensure that the terminals are being operated from such designated alternate locations only and by the approved users.

"The policy will list the users and their details who will be permitted to operate from such location and the duration. Such policy will be duly approved by the Members appropriate authority such as CEO or designated director or compliance officer, partner or proprietor as the case may be," the NSE said. "Members should ... provide the list of the approved users, terminal details, segment, certificate details and alternate location address to the exchange," the bourses said.

SBI opens emergency credit line for borrowers

Mumbai: State Bank of India has opened an emergency credit line to meet any liquidity mismatch for its borrowers.

The additional liquidity facility – COVID-19 Emergency Credit Line (CECL), will provide funds up to Rs 200 crore and will be available till June 30, 2020, SBI said in a circular issued on Friday. The loan will be offered at 7.25 per cent with a tenure of 12 months.

The bank said the credit line is open for all standard accounts which have not been classified as SMA 1 or 2 as on March 16, 2020. **PTI**

Ola and Uber suspend shared rides temporarily

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 21

CAB AGGREGATORS Ola and Uber have suspended taxi sharing services temporarily to practice social distancing in order to arrest the spread of COVID-19. Shared rides — Ola Share and Uber Pool — account for 25-30 per cent of the total rides for these platforms, according to industry estimates, but are also problematic areas as far as the disease outbreak is concerned.

"In our efforts to curb the spread of COVID-19, we are temporarily suspending the 'Ola Share' category until further notice," Ola said in a statement.

"The temporary suspension of Ola Share services is an attempt to encourage social distancing for all cases of essential travel for citizens," it added.

Users opting for this category of cabs share their rides with other passengers travelling on the same route because these services generally cost less than private cab options. A large chunk of these riders choose shared or pooled cabs on shorter routes.

Specifically, for Sunday, the two cab companies have urged their customers to avoid all non-essential travel during Janata Curfew.

"We will have limited availability of vehicles to support essential and emergency travel during this period (Sunday 7am to 9pm)," Ola said.

RBI extends PMC Bank moratorium by another 3 mths

ENS ECONOMIC BUREAU
MUMBAI, MARCH 21

THE RESERVE Bank of India (RBI) has extended the moratorium on Punjab and Maharashtra Co-operative Bank (PMC Bank) for another three months — from March 23 to June 22, 2020.

According to the RBI, it has been, directly and through the Administrator, discussing with various authorities on expeditious sale of securities and recoveries of loans. "Due to various factors including legal processes, tangible outcomes are taking some time," the RBI said.

The RBI said unlike in the case of commercial banks, the RBI has no powers to draw up an enforceable scheme of reconstruction of a co-operative bank. Nevertheless, in the interest of the depositors and the stability of the cooperative banking sector, the RBI, in consultation with various stakeholders and authorities, is trying to work out a scheme for revival of the bank, the RBI said.

"In order to take this forward, it is considered necessary to extend the directions for a further period of three months," it said. The RBI has been closely monitoring the situation and has been holding regular meetings with the Administrator and the Advisory Committee of the bank, it said.

On September 23, 2019, the RBI slapped curbs on PMC Bank, a leading cooperative bank headquartered in Mumbai, appointed an administrator and superseded its board of directors, sending shock waves among thousands of its depositors. Panic-stricken customers rushed to the bank's branches across the state and were unable to withdraw more than Rs 1,000. They had been aware that the bank, which was under the supervisory glare of the RBI, was being milked by real estate players led by HDIL with the connivance of certain bank officials.

PMC Bank, with a deposit base of Rs 11,000 crore, has 137 branches across seven states, with 81 of these in Mumbai, Navi Mumbai, Thane and Palghar regions, 10 in Pune and 12 in the rest of Maharashtra.

SPEEDING UP LOAN RECOVERY

■ **According to the RBI, it has been, directly and through the Administrator, discussing with various authorities on expeditious sale of securities and recoveries of loan**

Govt clears 14th FC dues for some states

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 21

THE CENTRAL government has cleared pending instalment, worth Rs 2,570 crore, for urban and rural local bodies of Andhra Pradesh, Arunachal Pradesh, Meghalaya, Nagaland, Odisha, and Tamil Nadu under the 14th Finance Commission in the wake of the COVID-19 outbreak.

"In order to ensure that the basic services provided by local bodies are not affected at this time, the Centre has released the pending instalment of the grants to States under the 14th Finance Commission that had been withheld as local elections had not been held," Finance Minister Nirmala Sitharaman said in a tweet on Saturday.

The Finance Minister in another tweet said the local bodies have to "especially focus on providing basic civic services and ensure cleanliness" due to COVID-19.

Of the total amount of Rs 2,570.0813 crore, Rs 940.8063 crore is for rural local bodies and Rs 1,629.275 crore for urban local bodies. "The amounts have already been credited to the accounts of the respective state governments," she said.

IMF sees severe impact on global economy

REUTERS
WASHINGTON, MARCH 21

THE IMPACT of the global coronavirus pandemic will be "quite severe," but a long expansionary period and high employment rates mean the global economy should weather the current shock, a top International Monetary Fund official said on Friday.

Martin Muehleisen, who heads the IMF's strategy policy and review department, said in an IMF podcast that the main goal for governments should be to limit the spread of the virus in a way that provides confidence that the economic shock will be temporary.

A construction site in Los Angeles, the day after California issued a stay-at-home order due to COVID-19. *Reuters*

He said banks and governments had already taken unprecedented measures to provide liquidity to markets and keep them functioning, "and maybe more will be needed," but such steps should be coordinated internationally to amplify their effect.

'US coronavirus package to be over $2 trillion'

Washington: The coronavirus stimulus package being negotiated by the US Senate would be worth more than $2 trillion, White House economic adviser Larry Kudlow said on Saturday.

"The package is coming in at about 10 percent of GDP," Kudlow said. Asked if that amounted to more than $2 trillion, Kudlow said: "That's correct."

"We're just trying to cover the right bases," Kudlow said as he entered the talks. **REUTERS**