


NEW DELHI, MONDAY, MARCH 23, 2020

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# FINANCIAL EXPRESS

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CHECKING CORONA

## 80 districts under lockdown

### 'Janta curfew' total; lockdown in 17 states, 5 UTs; Delhi seals borders, shuts public transport; states told to ready healthcare facilities

PRESS TRUST OF INDIA
New Delhi, March 22

**ALL INTER-STATE BUSES,** passenger trains and metro services have been suspended across the country till March 31, while 80 districts in 17 states and five Union Territories, including Delhi, where coronavirus cases were reported will be under complete lockdown during the period.

The decision was taken at a high-level meeting of chief secretaries of all states and the Cabinet secretary and the principal secretary to the Prime Minister.

The districts where lockdown was announced include 10 districts each in Maharashtra and Kerala, six districts each in Uttar Pradesh and Gujarat, five each in Karnataka and Haryana, three each in Tamil Nadu and Punjab.

The state governments will issue orders allowing only essential services to operate in these 80 districts with confirmed Covid-19 cases or casualties, a Union home ministry official said.

Officials stressed that these steps were vital to end the chain of transmission. It was agreed that there was an urgent need to extend the restrictions on the movement of non-essential passenger transport, including inter-state transport buses, till March 31 to contain the spread of the deadly Covid-19, they said.

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The Ring Road near the AIIMS in New Delhi during the 'Janta curfew' on Sunday

EXPRESS PHOTO BY ABHINAV SAHA

COVID-19 UPDATE

**360** total cases

**7** deaths so far

**77** NEW CASES

### India could see close to a million deaths, says expert

No one else has estimated even near this; also, models were made before India's lockdown

SARTHAK RAY
New Delhi, March 22

**AFTER WELL-KNOWN EPIDEMIOLOGIST** associated with Imperial College, London, Neil Ferguson, predicted 510,000 Covid-19 deaths in the UK and 2.2 million in the US, if control measures are not instituted, Ramanan Laxminarayan of the US-based Center for Disease Dynamics, Economics and Policy, has projected that 1 million could eventually die in India. No other expert, it has to be cautioned, has come up with a number even remotely close to Laxminarayan's; also the numbers are based on a business-as-usual scenario.

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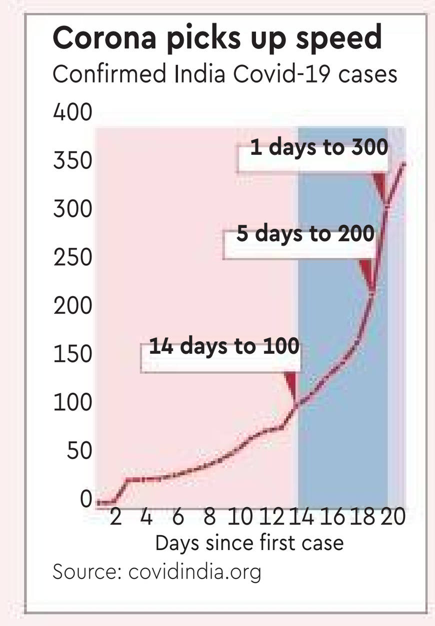
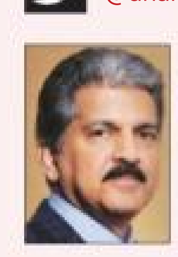



Anand Mahindra
@anandmahindra



To help in the response to this unprecedented threat, we at the Mahindra Group will immediately begin work on how our manufacturing facilities can make ventilators. —At Mahindra Holidays, we stand ready to offer our resorts as temporary care facilities.

### Banks limit branch services

**THE INDIAN BANKS'** Association (IBA) has announced that effective Monday banks will undertake only essential services like cash deposit and withdrawal, cheque clearances, remittances and government transactions.

"Other non-essential services during this period may be suspended," the IBA said in a statement. ■ Report on Page 2

### RBI splits workforce

**THE RESERVE BANK** of India (RBI) has come up with a business continuity plan to keep the machinery of the entire financial system running smoothly. The plan includes splitting up of the central bank's staff into smaller groups operating from separate locations in order to enforce social distancing, sources aware of the development told *FE*. ■ Report on Page 2

### 'Lockdown not enough'

**COUNTRIES CANNOT SIMPLY** lock down their societies to defeat coronavirus, the WHO's top emergency expert said, adding that public health measures are needed to avoid a resurgence of the virus later on. Dr Mike Ryan said: "What we really need to focus on is finding those who are sick, those who have the virus, and isolate them, find their contacts and isolate them." ■ Report on Page 4

GROWTH PANGS

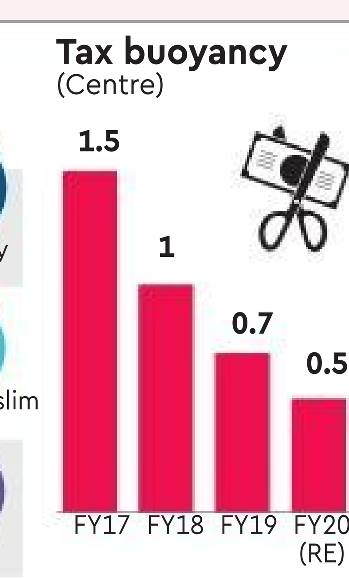
## Budget plans may go haywire as Covid-19 wreaks havoc

If buoyancy doesn't improve — it likely won't — growth slump to depress FY21 gross tax by a massive ₹2.2 lakh crore

**FY21 gross tax revenue: Scenarios**
₹ lakh crore

| | ₹ lakh crore | |
|---|---|---|
| **Best case:** (budget estimates of GDP & buoyancy hold good) | 24.2 BE | Unlikely |
| **Second best:** (nominal GDP growth falls to 8% and buoyancy as budgeted) | 22.7 | Chances slim |
| **Worst case:** (GDP at 8% and buoyancy close to FY20 level) | 22 | Likely |

(All estimates face further threat from reduced FY20 base)




SUMIT JHA
New Delhi, March 22

**WHEN THE CENTRE** assumed tax buoyancy of 1.2 for FY21, as against just 0.5 seen in FY20 (revised estimate), many thought that it was optimistic, if not unrealistic. However, given the spread of Covid-19 and its impact on domestic and global demand, India's economic growth could fall considerably from the budgeted level.

Assuming the actual nominal GDP growth for FY21 at 8% as against the budgeted 10%, the tax buoyancy required to achieve the budgeted growth in gross tax receipts (GTR) of 12% will be an impossible 1.5. Put differently, even if the assumed tax buoyancy of 1.2 holds true, the lower GDP growth would result in a tax revenue (GTR) shortfall of ₹1.5 lakh crore next fiscal, from the budgeted ₹24.2 lakh crore. Of course, since the buoyancy budgeted is really high under current circumstances, the GTR shortfall will likely be far higher.

Supposing the buoyancy in FY21 to be 0.5, the same level as in FY20, and nominal GDP growth at 8%, the shortfall from the budgeted gross tax receipts in FY21would be a massive ₹2.2 lakh crore. This is indeed a de-stabilising prospect for the Centre's Budget and fiscal consolidation plans. Alas, it appears to be realistic at this point of time, as Covid-19 is playing havoc across the world, constricting demand and disrupting supply chains.

Whatever 'tax effort' the government might bring in, the buoyancy or the government's revenue-generating capacity will likely remain constrained in a stultified economy.

Worse, the FY21 GTR target would look even more challenging given a likely shrinking of the FY20 base by at least 6% from the budgeted level. As for FY20, the government's best hope is that a tidy sum would be collected by March 31 under the so-called Vivad Se Vishwas scheme for resolution of direct tax disputes. Also, some ₹30,000 crore (gross) is likely to be raised this fiscal from the scheme implemented for resolving indirect tax disputes (see the story beside this).

Continued on Page 2

### Centre's FY20 revenue seen ₹75k crore less than budgeted

SUMIT JHA & PRASANTA SAHU
New Delhi, March 22

**IF APRIL-JANUARY ARE** to be the indicator, the Centre's net tax receipts (NTR) in FY20 could fall short of the revised estimate (RE) presented in the recent Budget by a massive ₹2.15 lakh crore or 14%. But certain last-minute, big inflows that haven't really been accounted for in the Budget could reduce the NTR shortfall against RE to ₹95,000 crore or 6%.

The Vivad Se Vishwas scheme could fetch the Centre ₹1 lakh crore on a net basis, after the mandatory transfer of tax revenue to the states.

Continued on Page 2

**Net tax revenue (NTR)**
FY20, ₹ crore

| | |
|---|---|
| Revised estimate | 15,04,587 |
| Likely actuals | ~14,10,000 |
| Shortfall from RE | 95,000 |

Apr-Jan trend indicates annual shortfall of **₹2,15,000 crore**, but likely net receipts of **₹20,000 cr** from indirect tax dispute resolution scheme, and another **₹1,00,000 cr** from Vivad Se Viswas Scheme to narrow NTR shortfall

**Total revenue receipts**
FY20, ₹ crore

| | |
|---|---|
| Revised estimate | 18,50,101 |
| Likely actuals | 17,75,000 |
| Shortfall from RE | 75,000 (Approx) |

Non-tax revenue could be at least **₹20,000 crore** more than RE, due primarily to AGR payments by telecos of **₹27,000 crore** (RE had factored in some **₹8,000 crore** from AGR)

## FE SPECIALS

■ **BRANDWAGON, P10**

### Adding style quotient to 'Bharat'

Value fashion retailers going into Tier-IV towns must tackle pricing as well as infrastructure hurdles

■ **eFE, P8**

### This could be India's decade

India can lead in data-driven services & outcomes, & leapfrog the digital economy phase, says Dell Technologies' Amit Midha

DATA SERVICES

## Telecom companies, OTTs quarrel over floor price

KIRAN RATHEE
New Delhi, March 22

**TELECOM OPERATORS MAY** be united in their demand for a floor price for mobile tariffs (data & voice), but various start-ups, associations of internet firms as also consumer groups are opposed to the idea.

This is understandable because the telecom operators who are currently providing below-costs services — per GB data rates are as low as ₹4-5 — want to improve their realisations. However, start-ups or internet firms, etc are basically OTTs who have seen an explosion in their usage and hence revenues is because of low data rates. If the same goes up substantially now — say ₹35 per GB — their entire business model and consumer usage could be adversely affected.

For instance, associations including IAMAI, Internet Society, CCAOI, Asia Internet Coalition (AIC) etc, which primarily cater to internet companies, are opposing the idea of setting a floor price. The reason given by most of these bodies is that any kind of policy intervention will make services offered by telecom operators unaffordable for low-income and rural groups. "Having a floor price will distort competition in the market by rewarding inefficient players and minimizing incentive amongst the operators to innovate. Consumers too will be deprived of newer and economical services," AIC managing director Jeff Paine said.

AIC's members include Apple, Facebook, Google, Amazon, Linkedin, Airbnb, Yahoo etc. Similarly, IAMAI, which boasts of all the big internet firms, said that any kind of policy affecting tariff rates has the potential of significant consequences on usage and onboarding of new subscribers to internet services.

Anyway, the entire exercise of concluding the floor price exercise by the Trai is now expected to be delayed with the outbreak of Coronavirus.

Continued on Page 2

**VODAFONE IDEA**

**₹40** floor tariff for voice-only subscriber

**₹50** floor tariff for data-only subscriber

**₹75** floor tariff for voice and data subscriber. Data floor price should be ₹35 per GB

**BHARTI AIRTEL**

**₹75** floor tariff for only incoming call and SMS

**₹165** floor tariff for unlimited voice and 1 GB data per month (voice charge ₹60; data floor ₹30)

**RELIANCE JIO**

**₹20** floor price for per GB data in long term. It should increase to ₹15/GB now. Currently, the prices are in range of ₹9-12/GB

■ No floor price for voice calls

BSNL and MTNL also support floor tariffs but recommend that it should only apply to telecom operators having a minimum of 15% subscriber base in a circle.

● CURTAILED

### Budget session may end today

PRESS TRUST OF INDIA
New Delhi, March 22

**THE BUDGET SESSION** of Parliament is likely to be concluded on Monday after passage of the Finance Bill in both the Houses, sources said on Sunday. The session was earlier scheduled to conclude on April 3, is now likely to be adjourned sine die on March 23, sources said.

Many political parties, including the TMC, have decided not to attend the session on Monday due to the coronavirus scare amid lockdowns announced by many states for varied periods, sources said.

'EFFICIENT FUND-RAISING'

### Debt ETF: PSUs to mop up ₹20k crore in FY21

PRASANTA SAHU
New Delhi, March 22

**WITH THE SUCCESS** of the maiden debt exchange traded fund (ETF) in December, the Centre will come out with a new tranche of Bharat Bond ETF of at least ₹20,000 crore in FY21, and may also float a new 5-year debt fund under the scheme to help the central public sector enterprises (CPSEs) mobilise a part of their annual borrowings in a cost-efficient manner.

In December, Bharat Bond ETF had mobilised ₹12,400 crore for CPSEs via two investment options — a short-term instrument for 3 years (Bharat Bond ETF April 2023) and a long-term one for 10 years (Bharat Bond ETF April 2030).

Continued on Page 2

**₹20,000 crore**
to be raised via Bharat Bond ETF in FY21

A new fund to invest in 5-year bonds of CPSEs may also be floated in FY21

**₹12,400 crore**
Raised in the NFO for BHARAT Bond ETF in December FY20

## QuickPicks

### Maruti, Honda, Mahindra suspend manufacturing ops

THE COUNTRY'S leading automakers, including Maruti Suzuki India (MSI), Mahindra & Mahindra and Honda Cars, on Sunday announced suspension of manufacturing activities across plants in the wake of the coronavirus outbreak in the country, reports **PTI** in **New Delhi.** MSI halted production at its Gurgaon and Manesar plants with immediate effect, while Honda Cars decided to suspend manufacturing at its two plants till March 31. PAGE 5

### Vedanta announces ₹100-cr fund to fight pandemic

TATA STEEL'S Metals and mining giant Vedanta on Sunday announced setting up of a ₹100-crore fund to combat the coronavirus outbreak, reports **PTI** in **New Delhi.** The fund will be utilised to provide preventive healthcare to daily wage workers, company employees and contract workers in and around various plants of the company, Vedanta said.

### Netflix, Amazon Prime Video told to ease network pressure

ANTICIPATING A spike in online video streaming demand amid lockdown, COAI has urged the government to issue immediate instructions to streaming platforms like Netflix, Amazon Prime Video and others to initiate measures that will ease pressure on network infrastructure. PAGE 5

COVID-19

## Rupee slide no relief as exporters see crash in orders

BANIKINKAR PATTANAYAK
New Delhi, March 22

**AS THE CORONAVIRUS** cases jump in the EU and the US, India's top two outbound shipment destinations, exporters of both goods and services see their fortune plummet in FY21, despite a depreciating rupee.

While the rupee has weakened by almost 4% against the greenback in March, the currencies of competitors such as Indonesia and Malaysia have depreciated at a sharper pace, by over 11% and 5%, respectively. In software services exports, roughly 28% of payments are made in currencies other than the dollar.

Although the Bangladeshi rupee has held steady and Vietnam's currency has weakened only less than 1% against the dollar in March, they enjoy much greater cost advantage than India in labour and logistics. Also, Bangladesh has duty-free access to the US and the EU markets in garments, while Vietnam, with its attractive incentives, has already emerged as a major electronics export hub, leaving India far behind.

The US, the EU and China made up for 40% of India's merchandise exports. Importantly, as the pandemic has forced lockdown in key cities in the EU and the US, services exports, too, have got a hit. The US (and Canada) and Europe made up for 61.2% and 25.6%, respectively, of India's software services exports worth $118 billion in FY19, according to a recent Reserve Bank of India (RBI) report.

Interestingly, the euro made up for 9.6% of India's software services export payments in FY19, while the pound 6.7%. The pound has depreciated just 0.8% against the euro in March, while it has, in fact, appreciated against the pound, which will negate the currency advantage proportionately. Of course, the dollar still is the preferred currency, with a 72% share.

However, the much bigger worry for exporters is the potentially massive demand slowdown due to the pandemic. In such a case, the currency relief is hardly any solace, they stress. Ravi Sehgal, chairman of the engineering exporters' body, EEPC, said: "A sharp rise in the dollar value due to a flight of capital into safe assets would be of no benefit to our exporters," as hardly any exports are taking place.

Continued on Page 2

**HIGH STAKES**

| | India's goods exports* ($ bn) | % share in India's goods exports* | Corona cases# |
|---|---|---|---|
| US | 44.7 | 16.9 | 10,442 |
| UAE | 24.3 | 9.2 | 140 |
| China | 14.4 | 5.5 | 82,007 |
| Hong Kong | 9.3 | 3.5 | 256 |
| Singapore | 7.6 | 2.9 | 345 |
| UK | 7.4 | 2.8 | 3,269 |
| The Netherlands | 7.1 | 2.7 | 2,460 |
| Germany | 7 | 2.7 | 15,320 |
| Bangladesh | 6.7 | 2.5 | 18 |
| Nepal | 6 | 2.3 | 1 |

*Apr-Jan, FY20; #As of March 19, cases have since risen