INSURANCE WATCH

NON-LIFE COVER PREMIUM RISES 14%

New Delhi: Non-life insurance firms reported a 14 per cent increase in the premium collection to Rs 1.73 lakh crore during April-February this fiscal, according to the Insurance Regulatory and Development Authority of India data. **PTI**

SECTOR WATCH
AVIATION

Airport loads at lowest in years, airlines struggle to find parking space

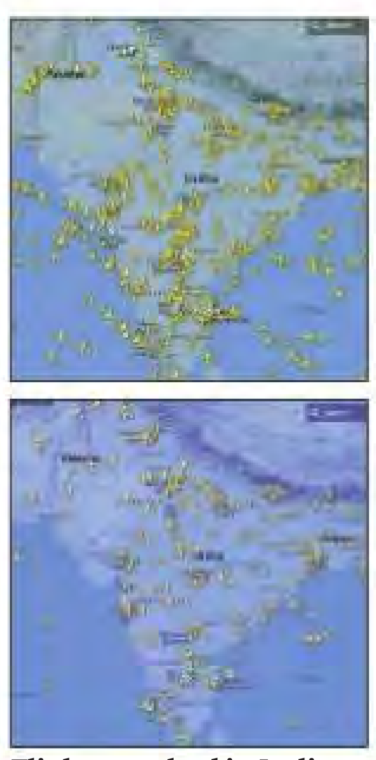
PRANAV MUKUL
NEW DELHI, MARCH 22

WITH MORE than a 1,000 flights getting cancelled throughout the country on Sunday on account of weak demand caused by Janata Curfew, airport loads in the country have fallen to its lowest levels in the past several years. According to information sourced from flight-tracking portal Flightradar24, at Delhi airport alone — the country's largest — 255 departures were cancelled, 38 per cent of the day's schedule. Similarly at Mumbai airport, 233 departures, or 53 per cent, were cancelled on Sunday.

With large-scale grounding of aircraft, airport operators are also running out of parking space. At Delhi's Indira Gandhi International Airport, several aircraft have been parked at Runway 27 of the aerodrome for lack of enough parking bays available. For Sunday, India's largest domestic airline IndiGo said that it would operate only 60 per cent of its scheduled flights. The airline operates around 1,400 flights daily on domestic sectors. Its rival budget airline GoAir, on the other hand, said it was cancelling all of its around 330 flights on Sunday.

Further, in terms of passenger loads, airport sources said over the past 20 days, international air passenger load at Delhi airport has fallen by 50 per cent, while that for domestic sectors has fallen by 15 per cent. Every month, Delhi airport handles around 61 lakh passengers, including domestic and international. On Sunday, however, Delhi airport sources said international arrivals saw an uptick, given that India has prohibited arrival of international passengers, including both foreign and Indian citizens, from Monday early morning.

The sudden increase in international arrivals tested the available infrastructure at Delhi airport, causing the authorities to respond to the surge in traffic. "Before the week long ban on international flights, there is a surge in numbers of passengers. While things are smooth at other airports, in Delhi the situation is crowded but orderly.



Flights tracked in Indian airspace on March 23, 2019 (top) and March 22, 2020. *Source: Flightradar24*

We have increased facilities & number of doctors for mandatory secondary screening," Minister of State for Civil Aviation (Independent Charge) Hardeep Singh Puri said in a series of tweets.

"It has been a difficult two days, but with 90 health counters operational for secondary screening of incoming passengers at Delhi Airport, things are back to normal," he added later on Sunday.

Over the next one week though, an airline executive said, passenger loads on domestic flights may see a slight increase considering a blanket ban on all trains by the government. "This is contingent on the government not suspending domestic air travel across the country though," the executive said.

Meanwhile, low-cost carrier SpiceJet has let go of about 20 of its pilots, who were serving their notice period, without completing the stipulated 12-month period. In a communication to these pilots, citing the impact of the pandemic on aviation industry, SpiceJet said that it has accepted the pilots' resignation with a "reduced notice period".

In a statement, a SpiceJet spokesperson said: "SpiceJet has decided to waive off the notice period of a few pilots (around 20 in number) who had resigned from the Company. This is not a retrenchment as they were under notice period".

COVID-19 OUTBREAK HAS SEVERELY HIT DOMESTIC INDICES

Market slump hits govt's divestment plans, may see shortfall of ₹30K cr

SUNNY VERMA
NEW DELHI, MARCH 22

THE GOVERNMENT'S disinvestment programme is being hit by the slump in the stock market in recent weeks, making it difficult for the Centre to sell stakes at such low valuations. With just eight trading sessions pending till the end of the fiscal year and any decent recovery eluding the stock markets, the government looks set to miss its revised target for the year by a wide margin.

The government has revised its target down to Rs 65,000 crore from Rs 1.05 lakh crore for the current fiscal year. As per the latest data available with the Department of Investment and Public Asset Management (DIPAM), the government has, so far, raised Rs 34,845.06 through disinvestment. Unless the government is able to wrap up some sales in these remaining eight trading days, the Centre will face a shortfall of around Rs 30,000 crore in its disinvestment receipts.

"Given the volatility in Indian market is at its peak, it will be difficult to sell stakes even through routes such as offer for sale (OFS), which have fewer regulatory compliances and can be implemented quickly," said a Delhi-based investment banker who has worked on government stake sale plans in the past. "In my 20-year career in the markets, I have never seen such volatility," he said. The volatility index or Indian VIX, around 73, is within touching distance of the peak of 84 recorded in 2008, at the height of global financial crisis. During normal times, VIX is usually below 15. On February 20, for example, the VIX was at 13.

Low valuations of stocks, along with this high volatility, means that the government will be pushed to postpone its stake sale plans until the market stabilises. Sources said one viable option in these circumstances could be cash-rich state-owned companies conducting a buyback of their shares. Such a market also means no private company will be able to quickly raise funds through stock markets either through initial public offering or secondary market sale.

The Finance Ministry did not reply to queries seeking comments. Of Rs 34,845.06 raised so far this year, the government raised Rs 4,368.80 crore through a follow-on-offer of Bharat 22 ETF and another Rs 26,500.39 through more tranches of CPSE ETF. Exchange Traded Fund has been one of the main sources of fund raising for the government. Among the other stake sales this year, the Centre raised Rs 637.97 crore through the IPO of IRCTC, Rs 475.89 crore through the IPO of RVNL and Rs 730.33 crore through offer for sale of RITES shares.

For next year's Budget, the government has announced an ambitious disinvestment agenda, aiming to raise Rs 2.1 lakh crore through stake sales, including plans to list Life Insurance Corporation (LIC) on stock exchanges and sale of government stake in IDBI Bank. Privatisation of BPCL, Container Corporation of India, Shipping Corporation of India and Air India will be other key issues next year.

In the last six years, the government has thrice missed disinvestment collection targets and thrice exceeded it. The biggest shortfall in disinvestment receipts is estimated this year — shortfall of nearly Rs 70,000 crore from the original Budget estimate of Rs 1.05 lakh crore. For three years between 2016-17 and 2018-19, the government exceeded the BE targets for disinvestment. In 2015-16, the government collected Rs 23,997 crore through disinvestment as against BE of Rs 25,313 crore. The shortfall in 2014-15 was around Rs 2,000 crore from BE of Rs 26,353 crore.

EXPLAINED

Low valuations may force govt to postpone plans

LOW VALUATIONS of stocks, along with this high volatility, means that the government will be pushed to postpone its stake sale plans until the market stabilises. One viable option, in these circumstances, could be cash-rich state-owned companies conducting a buyback of their shares. Such a market also means no private company will be able to quickly raise funds through stock markets either through initial public offering or secondary market sale.

Virus locks gates: Maruti, Honda Cars, Hero MotoCorp, Toyota shut output

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 22

Mahindra Group chairman Anand Mahindra said the group is committed to support in building health infrastructure

THE COUNTRY'S largest passenger vehicle manufacturer, Maruti Suzuki on Sunday announced its decision to shut production and office operations at its facilities in Gurgaon and Manesar, Haryana, with immediate effect till further notice. The R&D Centre at Rohtak will also remain closed, it said.

Announcing halt of operations at all its global manufacturing facilities, including India, Colombia and Bangladesh and the Global Parts Centre at Neemrana with immediate effect until March 31, Hero MotoCorp said its chairman Pawan Munjal has already conveyed the organisation's commitment "to stand by the employees despite the severe disruptions caused by the ongoing situation."

On similar lines, Honda Cars India informed its associates and suppliers that production operations at both its manufacturing plants in Greater Noida, Uttar Pradesh, and Tapukara, Rajasthan, will be temporarily suspended from March 23-31. The company said while it intends to restart production on April 1, 2020, however, it will be dependent upon advice from government/health authorities, and market and supply conditions. Gaku Nakanishi, president & CEO, Honda Cars India, said: "In these trying times, health, safety, and well-being of our associates, their families, and community at large is of utmost importance. We stand by them during this tough phase and urge everyone to take all possible measures to prevent COVID-19 from spreading further."

Fiat Chrysler Automobiles together with Fiat India Automobiles Private Limited (FIAPL), too has announced to temporarily close operations and suspend production, till March 31. FCA and FIAPL said: "There will be no retrenchment of any plant employees as a result of the plant closure and all will continue to receive their salaries during this closure period."

Even Toyota Kirloskar Motors announced the temporarily halt of production at its plant in Bidadi, Karnataka, till further notice.

The day also witnessed commitment by India Inc leaders to offer their support to fight the impact of coronavirus. Sensing the need of a more robust healthcare infrastructure in the country in order to tackle the looming threat of a spread of coronavirus in the country, Anand Mahindra, chairman, Mahindra Group, on Sunday said while he is ready to offer Mahindra resorts as temporary care facilities, the Group is also exploring on how its manufacturing facilities can start making ventilators. He also committed the help of his projects team to constructing temporary care facilities.

In a series of tweets on Sunday, Mahindra said: "... we ... will immediately begin work on how our manufacturing facilities can make ventilators." While he also talked of creating a fund to assist the small businesses and self employed and to contribute his entire salary in the fund, he said his "projects team stands ready to assist the govt/Army in erecting temporary care facilities."

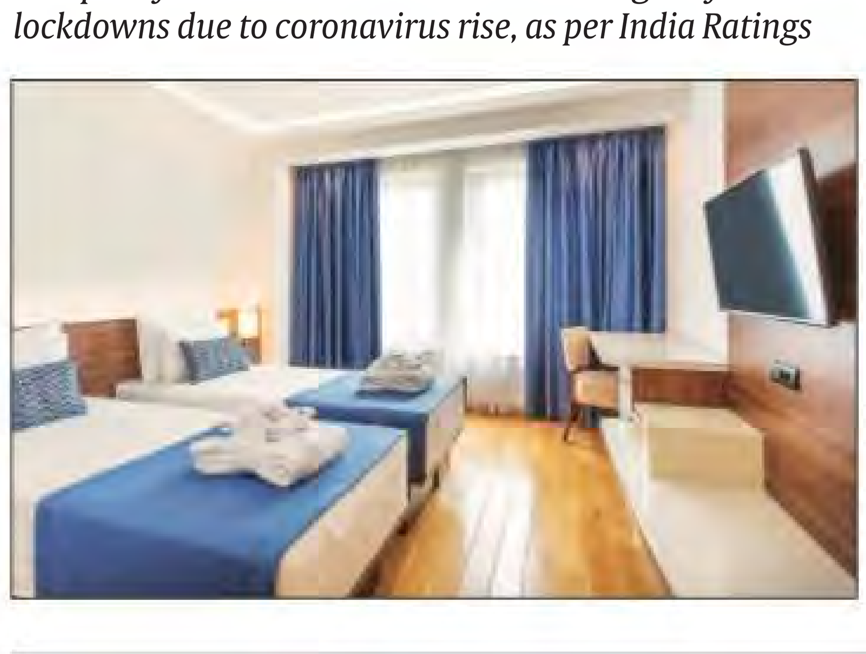
Anil Agarwal, executive chairman, Vedanta Resources Ltd, on Sunday announced a commitment of Rs 100 crore.

On Friday, N Chandrasekaran, chairman, Tata Sons, said the current situation is likely to have a large and deep financial impact on the weaker socio-economic segments of the society. "During this time of crisis, our group companies commit to ensuring full payments to the temporary workers and daily wage earners who are working in our offices and at our sites in India for the month of March and April, 2020, even if these workers are not able to work due to either quarantine measures, site closures, plant shutdowns or other reasons."

Hindustan Unilever, on Friday, committed Rs 100 crore to help in the fight against COVID-19 and announced a 15 per cent cut in the prices of Lifebuoy sanitisers, handwash and Domex floor cleaners.

'Hotels may see 20-40% fall in occupancy rates in Mar-May'

Hotels in India are staring at 20 to 40 per cent fall in occupancy rates in the three months ending May as lockdowns due to coronavirus rise, as per India Ratings



HIT HARD
THIS IS TWO TO FOUR TIMES THE IMPACT THE INDUSTRY HAD SEEN DURING THE 2008 FINANCIAL CRISIS

Revenue impact
HOTELS UNDER THE FOUR-STAR OR ABOVE CATEGORIES COULD SEE A 65-70 PER CENT FALL

HOTEL RANGE PLUNGE IN OCCUPANCY (%)
- Mid-scale 30-40 mid-scale
- Four-star hotels & above 20-25

OUTLOOK
- Occupancy rates across hotel categories are likely to fall to their lowest levels in the last decade, materially impacting earnings. The industry in general may face challenges in debt servicing. The crisis comes at the peak occupancy season due to vacations and weddings before the onset of the monsoons
- If the global financial crisis is a benchmark, then the magnitude and impact on the drivers of occupancy rate due to the pandemic is larger

GLOBAL SCENARIO
Singapore, Indonesia and Hong Kong, where the outbreak began in January, have seen a sharp decline in occupancy rates — higher than the SARS outbreak in 2003

Source: India Ratings/PTI

India Inc seeks rate cut, NPA norms dilution

ENS ECONOMIC BUREAU
MUMBAI, MARCH 22

WITH THE rapidly spreading coronavirus threatening to derail the economy, India Inc has sought fiscal and monetary stimulus measures, including reduction in the repo rate, cash reserve ratio (CRR) and relaxation in norms relating to non-performing assets (NPAs), to bail out the economy.

The Confederation of Indian Industry (CII) has proposed an immediate repo rate reduction of 50 basis points, along with a 50-basis point reduction in CRR to ensure low cost of funds. "The RBI may consider relaxing the NPA recognition norms from 90 days to 180 days till September 30, 2020 to provide relief to industry faced with payment issues as well as pressure on banks to classify loans as NPAs," said Chandrajit Banerjee, director general, CII.

Niranjan Hiranandani, president, Assocham, said, "The time is then perfectly ripe for the RBI to roll out monetary/fiscal stimulus to protect business from going bankrupt." The industry body has proposed a moratorium for debt servicing (principal plus interest), reduction of interest rates across the businesses, rescheduling of loan repayment and moratorium in rating surveillance.

"These measures, implemented on an urgent basis, have the potential to prevent the grave economic crisis which is on the horizon. It is no longer about investors and business, this is about the economic health of the country," Hiranandani said. "The time to take action is right now, we need implementation on a war footing if we are to save the Indian economy from tanking," he said.

An uptick in NPAs arising from the current economic disruption may further aggravate the challenges to the economy. "Therefore, the RBI may need to consider a special dispensation or temporary reprieve on NPA classification to banks and NBFCs for 1-2 quarters if the COVID-19 crisis does not peter out in the next few weeks," said Suman Chowdhury, president-ratings, Acuité Ratings & Research. Banerjee said RBI should create special liquidity lines for NBFCs and ARCs over and above the window available to banks. "This would be similar to the TARP (Troubled Asset Relief Program) instituted in the US after the global financial crisis and would ensure that credit transmission happens in a timely manner," he said.

India has been facing growth deceleration, with GDP growth having fallen to 4.7 per cent in Q3 of FY20. The impact of COVID-19 is likely to pull it down further in the fourth quarter and GDP growth could slide to below 5 per cent in FY21 if policy action is not taken urgently. "Fiscal and monetary stimulus measures need to be announced urgently," he said.

Crisil said clampdowns are increasing within and outside India, which would curtail consumer mobility and lead to deferral of spending. "While we expect most sectors to be impacted, this credit alert focuses on those at the front and centre of the pandemic-driven disruption. We foresee business reducing for airlines, hotels, malls, multiplexes and restaurants. Demand for some products such as eggs and poultry could also be impacted," it said.

In the services sector, information technology would be affected because of physical restrictions. "Lower business volumes and occupancies, and suboptimal efficiencies will impact the profitability of companies. While some affected companies may initiate cost-curtailment measures, these may not be enough given high fixed costs. That could impair the credit profiles," said said Subodh Rai, senior director, CRISIL Ratings.

Chowdhury said, "COVID-19 has triggered an unprecedented shutdown in many parts of India. We believe that this can have a very sharp impact on the GDP print not only in the current quarter but also in the next quarter Q1FY21. The largest impact will be in the services sector particularly travel, transport and hospitality while there will be a secondary impact on other services and manufacturing sector due to the large scale disruption."

As much as 47 per cent of the GVA is generated from services including transport, hotels, trade, construction, real estate and financial services. "We expect the hit on these sectors can shave off about 5 per cent of GDP estimates for FY20 and can lead to poor GDP figures in first quarter of FY21 if the disruption continues for over another 2 months," Chowdhury said.

RISK TO GROWTH

- The impact of COVID-19 is likely to pull India's growth rate down further in the fourth quarter and GDP growth could slide to below 5 per cent in FY21, if policy action is not taken urgently

CII seeks relief measures from govt: ₹2L cr direct income transfer, removal of LTCG

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 22

IN LIGHT of the economic disruption caused by the coronavirus, the Confederation of Indian Industry (CII) has suggested a series of measures to the government to alleviate stress, including Rs 2 lakh crore of direct income transfer to poor and elderly citizens, 50-basis point reduction in repo rate and easing of Non Performing Asset (NPA) classification norms among others.

Additional liquidity to the markets by the Reserve Bank of India and removal of long-term capital gains (LTCG) tax of 10 per cent in equities market are among the other recommendations of the industry chamber.

"Some of our members have already initiated steps to ramp up production of essential medical needs like hand sanitisers including some companies introducing sanitisers as a new product line. Efforts are being made to source formulations and reach out to makers of respiratory equipment across the world so that we can combat the challenge… However, given the magnitude of the problem and stage in which India is currently in more steps would be needed to minimise the impact of the outbreak," CII president Vikram Kirloskar wrote in a letter to Prime Minister Narendra Modi. Companies including ITC, Godrej Consumer Products, HUL and Patanjali have already reduced prices of hand sanitisers, which help in containing the spread of coronavirus.

The chamber also suggested that government should mandate GST payments on collection of Bills instead of the current norm of tax on raising of invoices.

Emirates to stop nearly all passenger flights, slash wages

Dubai: Emirates, one of the world's biggest long-haul airlines, said on Sunday it would stop nearly all passenger flights this weekend and cut staff wages by as much as half because of the coronavirus impact on travel demand.

The carrier had already announced the suspension of nearly 70 per cent of its network of 159 destinations, asked staff to go on unpaid leave and frozen recruitment as the industry faces one of its biggest ever challenges.

"As a global network airline, we find ourselves in a situation where we cannot viably operate passenger services until countries reopen their borders and travel confidence returns," Emirates Chairman Sheikh Ahmed bin Saeed al-Maktoum said.

The airline said it will maintain some services to 13 countries for repatriation flights at the request of governments. **REUTERS**

Centre tweaks rules for companies under IBC

AASHISH ARYAN
NEW DELHI, MARCH 22

THE CENTRAL government on Sunday notified new rules, which mandated that companies obtain new Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST) registration numbers once the corporate insolvency resolution process (CIRP) of a company is initiated and an interim resolution professional (IRP) or resolution professional (RP) is appointed.

The said corporate debtor, which starts functioning as a new entity under the IRP or RP, shall register itself in all states and Union Territories where it had operations before undergoing CIRP process, the new rules said.

The new registration number of the company will be separate from the old registration number of the company, and enable the IRP or the RP to continue paying statutory dues and taxes as required, experts said.

The CGST system software mandates that companies undergoing CIRP must first clear past dues in order to be able to pay new dues. The issue, however, is that once CIRP process is initiated against a company, a total moratorium is imposed, and no refunds are allowed.

Under the existing laws, once CIRP is initiated against a company and moratorium is imposed, the IBC rules take precedence over all other laws of the country. Central and state governments, which collect CGST, and SGST, are treated as operational creditors and must therefore file applications to claim their share of dues from the IRP, the experts said.

"The notification pragmatically resolves the system issue by obtaining new registration. However, old credits are denied in light of the refund provisions," Abhishek A Rastogi, partner at Khaitan & Co, said.

Once a new registration for the company under CIRP is obtained, it shall within 40 days file CGST and SGST returns, the new rules said. The input tax credit for the corporate debtor with the new registration number shall be given since the appointment of IRP or RP.

The funds, which had been deposited by erstwhile IRP RP in the cash ledger of a corporate debtor undergoing CIRP, shall be available for refunds to company under new registration number, the rules said.

"While the notification provides that any amount deposited by an IRP in the cash ledger will be eligible for refunds, it appears that the intention is only to give refunds of taxes for the period prior to the appointment of the IRP", Rastogi said.

The said issue was also challenged by several companies before the Gujarat High Court in September last year. In their petition, the companies had then claimed that while the discrepancy between the Insolvency and Bankruptcy Code and the CGST rules meant that the authorities had to wait several days to claim their dues, it could also result in them getting an unfair advantage if all lenders had to take a haircut on their claims.

WHAT CHANGES

- **The rules mandate companies obtain new CGST and SGST registration numbers once the corporate insolvency resolution process of a company is initiated and an interim resolution professional or resolution professional is appointed**

Turned back KLM flight gets clearance to land in Delhi

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 22

AFTER HAVING to turn back from Russian airspace on Friday, KLM's Amsterdam-Delhi flight carrying over a 100 Indian citizens transiting through the Dutch capital from the US and Canada, the airline was granted clearance by the Indian civil aviation authorities late Saturday to land in Delhi.

The flight had taken off on Friday from Amsterdam without prior approval from the Directorate General of Civil Aviation (DGCA) to carry passengers from the European country, and according to sources in the government, the flight was not permitted entry into Indian airspace once DGCA officials learnt of it.

"We have issued orders prohibiting any airline from boarding passengers — Indian or foreign — at any of the European Union countries. We are allowing special flights to be operated in a phased manner so that our infrastructure is not overloaded. As soon as we were informed by Ministry of External Affairs that a KLM flight was carrying passengers from Amsterdam, we had a NOTAM (notice to airmen) issued, asking the flight to turn back," a senior DGCA official said.

The flight was carrying 102 Indian citizens, including a pregnant woman and senior citizens, who were travelling from the US and Canada.