TUESDAY, 24 MARCH 2020
20 pages in 2 sections
NEW DELHI (CITY)
₹9.00
VOLUME XXVI NUMBER 242

www.business-standard.com

# Business Standard

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SOFTBANK PLANS $41-BILLION ASSET SALE TO EXPAND BUYBACK, CUT DEBT

COMPANIES P2

ORDERS SURGED TWOFOLD AFTER VIRUS SPREAD: BIGBASKET CEO

PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI (ALSO PRINTED IN BHOPAL), NEW DELHI AND PUNE

**THE MARKETS ON MONDAY**

| | | Chg# |
|---|---|---|
| Sensex | 25,981.2▼ | 3,934.7 |
| Nifty | 7,610.3▼ | 1,135.2 |
| Nifty futures* | 7,603.6▼ | 6.6 |
| Dollar | ₹76.3 | ₹75.2** |
| Euro | ₹81.4 | ₹80.5** |
| Brent crude ($/bbl)## | 24.83## | 25.7** |
| Gold (10 gm)### | ₹40,556.0▼ | ₹613.0 |

* (April) Discount on Nifty Spot; **Previous close;
# Over previous close; ## At 9 pm IST;
### Market rate exclusive of VAT; Source: IBJA

## EASE ASSET QUALITY NORMS, CUT REPO RATE: ADITYA PURI

Aditya Puri, chief executive of the country's largest private sector lender HDFC Bank, said on Monday the central bank needed to take immediate measures like policy repo rate cut and easing of asset quality norms to cushion shocks in the wake of the spread of coronavirus. 4 ▸

## Chouhan takes oath as MP CM for the 4th time

Shivraj Singh Chouhan on Monday returned as chief minister of Madhya Pradesh for the fourth time, over 15 months after his government was voted out of power. The 61-year-old BJP leader was sworn in by Governor Lalji Tandon at Raj Bhawan in Bhopal at 9 pm. Chouhan was earlier in the day elected leader of the state BJP legislature party at its meeting. PTI

## Centre may push I-T deadline to June-end

In a unprecedented move, the central government is likely to extend the March 31 deadline of paying income taxes by a month, in view of the COVID-19 pandemic, said two officials. If the situation worsens, the deadline may be pushed till June-end, they said. SHRIMI CHOUDHARY

## No salary reduction for contractual staff: Govt

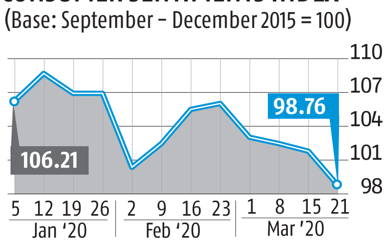
The central government issued an order on Monday saying that the salaries of the contract workers associated with its offices would not be deducted if they were compelled to stay at home during the coronavirus pandemic. As a measure of social distancing and to contain the spread of the virus, many state governments have announced a lockdown in India. SOMESH JHA

## SC to hold virtual hearing; NCLT shuts all Benches

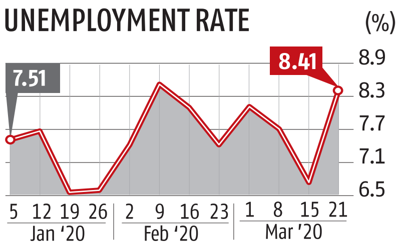
The Supreme Court on Monday decided to seal the chambers of lawyers in and around its premises and said that only one court would hear "extremely urgent matters" through virtual means. The National Company Law Tribunal, too, closed all the Benches across India till March 31. Urgent matters would be heard by a single-member Bench of NCLT Chennai. PTI

## THE CMIE TRACKER

**CONSUMER SENTIMENTS INDEX**
(Base: September - December 2015 = 100)




**UNEMPLOYMENT RATE** (%)




Source: CMIE

SHOULD THE STATE COMPENSATE FOR LOCKDOWN? 6 ▸

# Bulls locked down, markets gasp

▸ INDICES CRASH 13%, MAKING INDIA WORST-PERFORMING MARKET IN THE WORLD

▸ ₹14-TRILLION MARKET CAP WIPED OFF; FINANCIAL STOCKS LEAD THE ROUT

SAMIE MODAK
Mumbai, 23 March

The Nifty50 index saw its sharpest one-day fall on Monday, crashing 13 per cent, as the virtual shutdown of the economy to contain the spread of coronavirus spooked investors. The selloff was so severe that it shaved off a record ₹14 trillion of market capitalisation. Over the weekend, the Centre and many state governments announced lockdowns, bringing the economy to a grinding halt, as the tally of those infected surged past 450 and the death toll reached nine, raising fears of a community spread.

THE SMART INVESTOR P8
₹1-TRN CLUB SHRINKS 40% IN A MONTH

Market experts said investors were afraid of the unprecedented disruption to business activity pushing the country into a prolonged recession if the outbreak did not stem. The Nifty dropped 1,135 points, or 13 per cent, to close at 7,610, the lowest since April 8, 2016. This was the steepest fall for the index, both in percentage and point terms.

The Sensex dropped 3,935 points, or 13.2 per cent, to end at 25,981, the lowest close since December 26, 2016. Both Nifty Midcap 100 and Smallcap 100 indices fell to near six-year lows. In the opening trade, the Sensex plunged 10 per cent, triggering an hour-long trading halt. On March 13 — when the markets last hit a lower circuit — the index had rebounded 16 per cent on the resumption of trade. However, on Monday, there was little respite as the benchmark indices ended close to the day's lows.

"We believe that this is not yet done with and recovery will take a long time. India was already on a sticky wicket with a slowing economy before the outbreak. Investors are pinning their hopes entirely on monetary and fiscal measures," said Prasanna Pathak, head of equities, Taurus Mutual Fund.

Most global markets also saw sharp declines, but India was the only major market to log a double-digit percentage fall.

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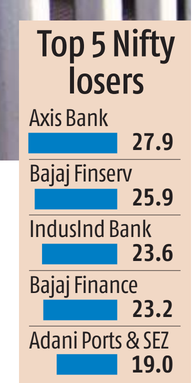
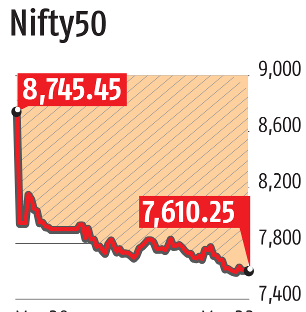
PHOTO: KAMLESH PEDNEKAR

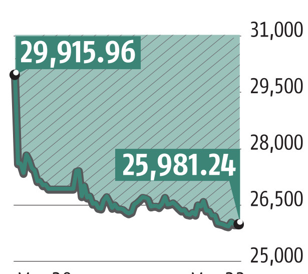
**Top 5 Nifty losers**




**Nifty50**




**Sensex**




**Worst-ever fall for Nifty**

| | Nifty50 | (in points) | One-day fall (in %) |
|---|---|---|---|
| Mar 23, 2020 | 7,610 | 1,135 | 13.0 |
| May 17, 2004 | 1,389 | 194 | 12.2 |
| Oct 24, 2008 | 2,584 | 359 | 12.2 |

**Trading below pre-Modi levels**

Closing share price (₹)

| Company | 23 May, '14 | 23 May, '20 | Chg (%) |
|---|---|---|---|
| ONGC | 271.67 | 60.45 | -77.7 |
| Coal India | 397.55 | 127.7 | -67.9 |
| Sun Pharma | 584.7 | 324 | -44.6 |
| NTPC | 133.62 | 76.2 | -43.0 |
| SBI | 275.53 | 181.6 | -34.1 |
| ITC | 228.1 | 154.4 | -32.3 |
| L&T | 1,007.74 | 723.7 | -28.2 |
| Axis Bank | 372.99 | 308.35 | -17.3 |
| IOC | 90.76 | 80.85 | -10.9 |
| Wipro | 183.38 | 170.35 | -7.1 |

188 companies from BSE 500 are trading below their May 2014 prices. This list is the top 10 companies based on current market cap
Source: Capitaline Compiled by *BS* Research Bureau

**India witnesses sharpest decline**

| Country | Chg 1D (%)# | Chg YTD(%) |
|---|---|---|
| India | 13.0 | 37.5 |
| Germany | 2.9 | 34.5 |
| France | 2.7 | 34.1 |
| Britain | 3.7 | 33.7 |
| S. Korea | 5.3 | 32.5 |
| Singapore | 7.4 | 30.7 |
| Japan | 2.0 | 28.6 |
| US | 3.8 | 23.3 |
| Hong Kong | 4.9 | 23.0 |

# Over Previous Close;
As at 11:47 pm IST

# Liquidity crunch hurts investors in debt funds

**TAKING A TOLL**
Spike in the shorter-tenure market has weighed on duration funds

RETURNS (%)

| Category | Year-to-date | 1 week | 1 mnth | 3 mnths |
|---|---|---|---|---|
| Medium to long | 0.5 | -0.7 | -1.2 | 0.9 |
| Medium duration | -1.8 | -1.12 | -3.4 | -1.6 |
| Short duration | -0.06 | -0.1 | -1.7 | 0.1 |
| Low duration | -1.1 | -0.6 | -1.9 | -0.1 |

Note: Low duration funds invest in 6-12 month debt papers, short duration funds in 1-3 year papers
Source: Value Research

JASH KRIPLANI
Mumbai, 23 March

Lack of liquidity in the debt markets has started to hurt mutual fund (MF) investors in debt categories, with yields in shorter-tenure markets moving up 100-150 basis points in the current month.

Over a one-month period, medium-duration schemes have given negative returns of 3.4 per cent, while short-duration and low-duration schemes are down 1.7 per cent and 1.9 per cent, respectively.

Experts say there has been heavy selling of shorter-tenure bonds in the markets, and given the lockdown, their buying capacity has shrunk significantly.

According to industry participants, fund houses are also being forced to sell debt papers as redemption pressures from investors is seeing a spike.

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## CORPORATE BOND YIELDS SPIKE ON DEFAULT FEARS

**The corporate bond yields have shot up, widening the spread between them and government bonds, as investors shun companies fearing defaults because of a coronavirus-induced slowdown.** "Locally, the bond markets had already become very discerning due to the NBFC crisis. So the main issuance was dominated by public sector units (PSUs) or stronger credits. Rolling over and refinancing will certainly become more difficult, especially as credit spreads have widened," said Gaurav Kapur, chief economist of IndusInd Bank. 4 ▸

# RBI advances OMO date, announces repo of ₹1 trn

ANUP ROY
Mumbai, 23 March

The Reserve Bank of India (RBI) stepped in on Monday to infuse more liquidity into the system by announcing term repo operations of ₹1 trillion in two tranches, even as it advanced a secondary bond-buying plan scheduled next week.

The repo would take care of any frictional liquidity requirements of the banking system, the central bank said. But, at the same time, the central bank's special swap operation to infuse dollar liquidity into the system saw tepid response. With $2 billion on offer, banks bid for only $1.53 billion, of which the central bank accepted bids for only $650 million.

According to currency dealers, this pointed to two possibilities. "One, that the market doesn't need dollar liquidity. Second, the RBI was not ready to offer higher premium for the six-month dollar. The second reason looks more obvious," said a senior currency dealer requesting anonymity.

The dollar index, which measures the greenback's strength against major global currencies, is now at 102, while emerging market currencies fell rapidly in value against the dollar. The rupee on Monday crossed 76 a dollar.

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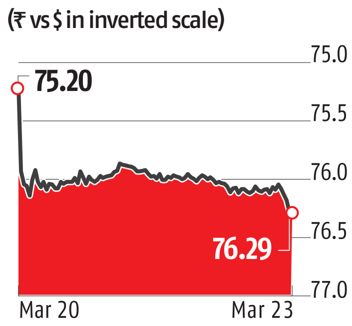
**RECORD LOW**
(₹ vs $ in inverted scale)




Source: RBI

## RUPEE BREACHES 76 AGAINST DOLLAR

**The rupee crossed 76 a dollar for the first time as the stock market tumbled amid a rise in coronavirus cases globally.** The rupee closed at 76.20 a dollar, down from its previous close of 75.20 a dollar. In intra-day trade, the rupee touched 76.30 a dollar. Currency dealers said the Reserve Bank of India (RBI) intervened to keep the rupee below 76, but let it fall further as pressure in the markets built up. 4 ▸

# Domestic flights grounded

ARINDAM MAJUMDER
New Delhi, 23 March

**Commercial flights will cease operations from Tuesday midnight until March 31**
PHOTO: DALIP KUMAR

To strengthen the nationwide lockdown to stop the spread of coronavirus, India has banned air travel from Wednesday.

The prohibition will stay till midnight, March 31. The move is the latest in a round of steps, including banning bus and railway travel, the government has taken.

This is the first time India has effected a total shutdown of air transport. The United States did it after the terror attack on the World Trade Centre on September 11, 2001.

The World Health Organization (WHO) has declared corona virus a pandemic. The government used a clause in the Aircraft Act, 1934, to suspend air travel.

"Operations of domestic scheduled commercial airlines shall cease with effective from the midnight of 11:59 PM on 24 March. Airlines have to plan operations so as to land at their destination before 11:59 PM on 24 March (sic)," a notification by the Directorate General of Civil Aviation sent to airlines said.

Sources aware of the development said there was much deliberation between different arms of the government on this.

"Airlines themselves were curtailing flights. So we kept waiting. But by the end of the day a decision was taken to ban as the spread was increasing," said a government official.

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# Modi connects with India Inc as factories, offices shut down

## Business leaders ask govt to let go of fiscal target, seek stimulus, direct cash transfer

SUBHAYAN CHAKRABORTY
New Delhi, 23 March

Top India Inc representatives, in an unusual video-conference meeting with Prime Minister Narendra Modi on Monday, sought a fiscal stimulus for industry to battle the coronavirus crisis that has forced factories and offices to shut down indefinitely. The business leaders, including Hindustan Unilever Chairman and Managing Director Sanjeev Mehta, TVS Chairman Venu Srinivasan, and Piramal group Chairman Ajay Piramal, also told the PM that monetary incentives must be given to the vulnerable sections.

Modi had called the virtual meeting to discuss possible solutions to the rapidly declining industrial production after the government decided to shut down around 80 coronavirus-hit districts, with further plans to introduce similar steps for other major urban centres.

Federation of Indian Chambers of Commerce & Industry (Ficci) President Sangita Reddy, as well as her counterpart in the Confederation of Indian Industry (CII) Vikram Kirloskar, attended the meeting, along with other members. They were united in the idea of direct cash benefit transfers to the economically vulnerable population.

Both industry bodies have called for cash transfers of ₹5,000 each to workers and those earning below ₹5 lakh as well as a one-time payment of ₹10,000 for senior citizens. The PM was keen on knowing the details of the proposed cash transfer which may boost the stagnating consumer demand, multiple people present in the meeting said.

Overall, industry has sought relaxed loan provisions and measures to boost liquidity. "All borrowers should be given a three-month moratorium on all loans and all repayment obligations should be suspended for this period. The CII also emphasised that there is an immediate need to facilitate and enable advances for ways and means for industry across sectors and the government could perhaps explore options of a moratorium on interest and principal for the next three months," Kirloskar said. He added the government's priority should be on 'flattening the curve' or reducing the number of new infections as soon as possible. The CII has also called for dollar-liquidity swap as India is in a comfortable position as far as its dollar reserves are concerned.

Similarly, Ficci has suggested that the government must take a 200-basis point hit to the fiscal deficit target, which can bring about ₹4 trillion worth of liquidity in the system. "No further accounts should be considered as non-performing assets from March 16 onwards, while the payment of standard loans should be deferred by two quarters. Aside from bank loans, liquidity should also be maintained for commercial papers and corporate bonds," Reddy said. Ficci has also argued that no new cases should be opened under the Insolvency and Bankruptcy Code at the National Company Law Tribunal for companies affected by coronavirus.

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*With inputs from Dev Chatterjee*

**WHAT PM SAID**

- Maintain production lines of essential commodities and ensure there is no hoarding, as well as black marketing
- The impact of the pandemic on the economy will be felt for some time
- India Inc to allow employees to work from home and companies won't cut down their workforce

**BIZ WISH LIST**

- Rate cut of 50 to 100 basis points to boost lending and liquidity
- Dollar-liquidity swap since dollar reserves remain comfortable
- A moratorium on interest and principal for the next three months
- Deferment of payment of standard loans and interests by 2 quarters
- All EMIs should be back-ended and deferred

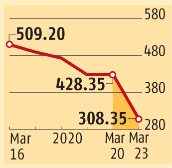
**INSIDE**

## A struggle to keep production going

**Manufacturing in India has come to a near standstill, with companies in various sectors** — such as cement, steel, FMCG and electronics — shutting down many of their plants amid the coronavirus pandemic. At some plants, only a fraction of workforce is on duty 3 ▸

## STOCKS IN THE NEWS

**Axis Bank**

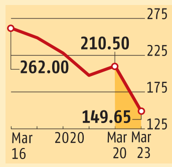



Market capitalisation falls below ₹1 trillion for the 1st time since March 2016

₹ 308.4 CLOSE

▼28.0% DOWN*

**M&M Financial Services**

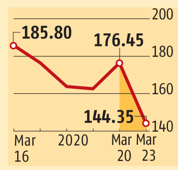



Top loser among financial sector stocks

₹149.7 CLOSE

▼28.9% DOWN*

**JSW Steel**

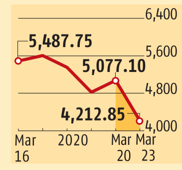



CARE revises ratings on account of slow recovery

₹144.4 CLOSE

▼22.2% DOWN*

**Maruti Suzuki India**

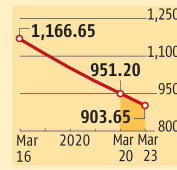



Halts production in India due to coronavirus

₹4,212.85 CLOSE

▼17.0% DOWN*

**IRCTC**




Down 53% in 4 weeks as tour and travel industry takes a hit

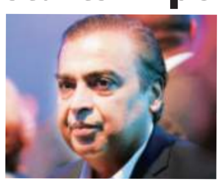
₹903.7 CLOSE

▼5.0% DOWN*

*OVER PREVIOUS CLOSE

## IN BRIEF

### RIL to manufacture masks, starts importing test kits



Mukesh Ambani-promoted Reliance Industries on Monday announced an initial support of ₹5 crore for the Maharashtra chief minister's relief fund. In addition, the company looks to ramp up production of face masks and other personal protective equipments (PPEs) for the health care sector, to aid India's battle with COVID-19. The company looks to enhance its production capacities to produce one lakh face-masks per day and a large number of personal protective equipments (PPEs), such as suits and garments. Through Reliance Life Sciences, the group has also started importing additional test kits and consumables for effective testing. In a statement by the company, RIL said they built a fully-equipped isolation facility in Lodhivali, Maharashtra and handed it over to the district authorities.

AMRITHA PILLAY

### Yamaha Motor India suspends ops in the wake of coronavirus

Yamaha Motor India on Monday said it was suspending operations at its facilities in the country due to the coronavirus outbreak. The company said it has taken preventive counter-measure of suspending its manufacturing operations at its facilities in Chennai, Surajpur (Uttar Pradesh) and Faridabad (Haryana) till March 31.

PTI

### Kia Motors India halts work amid COVID-19 concerns

Kia Motors India indefinitely suspended all its operations with immediate effect and the company's manufacturing facility in Andhra Pradesh and company office premises will stop functioning until further notice in view of the coronavirus outbreak, the Korean automaker said.

PTI

### Ola sets up fund for driver partners in Australia

Ola has announced setting up a special 'COVID-19' fund to help drivers impacted by the pandemic in Australia. This will help compensate the loss for business revenue of drivers who might get affected by the virus, the Bengaluru-based firm said, even though it did not disclose the fund size.

BS REPORTER

### Siam, ACMA ask automakers to shut plants

Automobile makers and auto component manufacturers in India have been asked to shut their plants by their respective industry bodies. In view of the deteriorating situation, Society of Indian Automobile Manufacturers and Auto Component Manufacturers Association of India have both requested their members to consider shutting their plants.

PTI

### Jio gives free broadband to new customers, doubles data

Reliance Jio said it will offer free broadband service to new customers and doubled data limit for all existing customers to support work from home in fight against coronavirus. The company has also doubled data limits for top-up voucher and bundle-free calling minutes to non-Jio networks in these vouchers.""To ensure that everyone stays connected while at home, Jio will provide Basic JioFiber broadband connectivity (10 Mbps), wherever it is geographically feasible, without any service charges, for this (coronavirus) period," Reliance Industries said in a statement."Jio will also provide home gateway routers with a minimum refundable deposit," the company said.The company has started offering double data add-on vouchers which will also bundle non-Jio voice calling minutes in these vouchers at no additional costs.

PTI

# E-pharmacies gear up to meet upsurge in demand

SOHINI DAS, SAI ISHWAR & SAMREEN AHMAD

Mumbai/Bengaluru, 23 March

Online pharmacies are making the best use of technology and supply chain efficiencies to ensure hassle-free delivery of orders despite manpower challenges. The platforms have seen an upsurge up to 3x their weekly average orders, with hand sanitisers and masks being the most sought-after products.

Pradeep Dadha, founder and chief executive officer (CEO) of Netmeds.com, said they are working hard to ensure customers get uninterrupted supply of protective and preventive products. "The country has seen unprecedented upsurge of over 1,400 per cent in sanitation products, and over 500 per cent in disinfectants in the past two weeks. This has put immense pressure on manufacturers. We are working actively to source products from different producers to keep up with the demand," he added.

Netmeds.com sells sanitisers at government rates. The National Pharmaceutical Pricing Authority has recently capped the prices of masks and sanitisers.

"We have ensured Netmeds.com has adequate stock of hand sanitisers at government-approved rates, according to the directive issued by the Centre. This will be extremely beneficial to people who were otherwise being forced to pay a premium by some opportunistic retailers," said Dadha.

CORONAVIRUS PANDEMIC

Tanmay Saxena, chief operating officer of 1mg, said it is witnessing surge in demand due to COVID-19. "Some categories like chronic medicines and immunity boosters and essential products like sanitisers, masks, gloves are seeing more than 7-8x their normal demand load," he said.

Online pharmacies, just like any other business operation, are facing challenges with manpower. The owner of an online pharmacy said there is growing challenge of absenteeism.

On average, his operations are facing a challenge of 50 per cent absenteeism, whether it is delivery staff, packaging and back-end, supply chain, etc.

Netmeds.com, for example, has implemented work-from-home solutions for over 50 per cent of the team. "Our supply chain teams have been given training and protective gear. Our warehouse staff has been given gloves and masks. We have requested our courier partners to ensure the delivery team is supplied with sanitisers. We recommend online payments instead of cash on delivery to reduce the number of touchpoints. We have also implemented an artificial intelligence-based solution to alert against bulk-buying medicines by setting a maximum limit for an order," said Dadha.

Saxena said, "We are part of essential services under the health care category that is exempt from on-ground movement restrictions. We have a strong nationwide supply chain and have more than 700 vendor partners spread across our entire supply network. We are working round the clock to source essential medical supplies directly from our vendor partners and manufacturers."

He said the firm is doing its best to manage its own on-ground logistics to ensure it minimises any medicine and diagnostic test supply disruption, and support ones quarantined and social distancing themselves.

Bengaluru-based online pharmacy Medlife, which has seen an increase of about 300 per cent in orders in the past one week, says the government and states streamlining the supply chain are the need of the hour.

"Our big warehouses are in Mumbai and Delhi. If we can't distribute the products, it's a problem. The government said essential services are allowed, but there is a lot of cross-border stoppages causing disruption," said Ananth Narayanan, co-founder, and chief executive officer, Medlife.

How to get medicines, masks, and hand sanitisers in all 30 of our fulfilment centres is the real challenge, he added. Masks and sanitisers are witnessing 5x increase in orders on the platform. The start-up is sanitising all its warehouses every two hours and delivery executives are working in batches.

Business-to-business marketplace Medibox witnessed 40 per cent uptick in terms of overall users. Its average transaction value has risen 20-25 per cent since February.

"We are onboarding more manufacturers and suppliers who have the capacity to ensure seamless supply," said Bhavik Kumar, founder and CEO, Medibox. Unlike e-pharma platforms, the start-up faces minimal issues in terms of return to origin or buyer not being available, as it caters to hospitals, distributors and warehouses, he said.

### SWEETENING THE PILL

- Working hard to ensure customers get uninterrupted supply of protective and preventive products
- Managing on-ground logistics to ensure it minimises any medicine and diagnostic test supply disruption
- Onboarding more manufacturers and suppliers who have the capacity to ensure seamless supply
- Enabled multiple delivery partners for one place
- Working to source products from different producers to keep up with the demand

# Internet speed may slow down on high traffic

SURAJEET DAS GUPTA

New Delhi, 23 March


Brace for not being able to watch movies in high definition or for slower speed while downloading or streaming your favourite over the top (OTT) platforms. At least for a while. And blame it on coronavirus.

Three OTT players have responded positively to the request by the Cellular Operators Association of India (COAI) to reduce bandwidth. The request was made to lessen the pressure on telecom networks that are overloaded with extra traffic generated by the lockdown from the coronavirus.

Out of the 11 streaming video companies that COAI wrote to, Disney's Hotstar, Zee5, Viacom 18 and its Voot brand have agreed to reduce bitrates so that telecom networks are under less pressure.

The letter, sent a few days ago, asked OTT players to move to standard definition instead of high definition streaming and to remove advertising and pop ups which usually consume high bandwidth.

The list of streaming companies that COAI wrote to also included Netflix, Amazon Prime, Alt Balaji, and Sony Liv amongst others. Separately, the COAI also asked the Department of Telecommunications to instruct OTT players to comply.The telcos say their networks have seen a sudden spurt in demand of over 10 per cent as more and more people work from home or are under quarantine at home due to the lockdown of cities. The disruption caused by the coronavirus has also meant more health-care and education services and payments going digital.

A spokesperson for Hotstar, the largest OTT player in the market with over 300 million customers, said: "We are mindful of this extraordinary situation and are closely monitoring it. In the larger consumer and national interest, we are geared to dynamically make changes and are prepared, say, to reduce the bitrate for our HD streams should the need arise."

Hotstar pointed out that its video streaming is based on adaptive bitrate streaming which ensures that its internet consumption is lean. The company optimises the encoding depending on content complexity, for example, entertainment vs live sports. What's more, said Hotstar, its high definition option is available only for its paying subscribers while the bulk of its 300 million users get standard definition.

Zee5 also said it understood the COAI's logic and was working closely with it. "We understand the Indian audience's data consumption pattern and have initiated measures to restrict the streams being delivered on any device at the player level, which will ensure the existing bandwidth is not over-stretched," said Zee5 CEO Tarun Katial.

Over at Viacom 18 Digital Ventures which runs Voot with over 100 million customers, COO Gourav Rakshit expressed a similar sentiment. "We do have a very small percentage of our users on the Voot Select platform (subscription) and they are also ready to downshift to a standard definition feed in line with their increased consumption," said Rakshit.

Netflix has refused to comment on COAI's request or divulge its plans, apart from saying it has no advertisements on its platform.

But are these actions enough to stop the telecom networks buckling under the weight of demand? COAI director general, Rajan S. Mathews, seems to think so.

"Video streaming constitutes 30-35 per cent of our network capacity. Because many customers stream even TV broadcasting channels, if we shift from high to standard definition, we could reduce bandwidth usage by 20-30 per cent," he said.

### Airtel asks other telcos to ensure uninterrupted internet

Airtel on Monday asked Vodafone Idea, Reliance Jio Infocomm, BSNL and MTNL to join hands and pave the way for intra-circle roaming (ICR) pacts to ensure uninterrupted mobile and wireless internet services amid surge in data consumption due to the near-lockdown in the country due to COVID-19, forcing people to work from home. In a letter to all the companies, Airtel said that the world was witnessing an unprecedented situation and all efforts were being made by the government to contain the outbreak.

MEGHA MANCHANDA

# High-debt firms face risk of default on payments

DEV CHATTERJEE & SHREEPAD AUTE

Mumbai, 23 March

Some of India's highly indebted companies will find it difficult to service interest payments on loans if the Centre does not offer moratorium on interest payments for the next six months, say leading chief financial officers and analysts.

Analysts said while some companies like Reliance, Larsen & Toubro, and Tata Steel will be able to meet their liabilities due to adequate cash flow, telecom, airline, real estate, and automobile companies will find it difficult to meet interest liabilities. A moratorium on interest payments will help companies pay their suppliers and keep the cycle running.

"There should be additional working capital funding to meet cash flow gaps and moratorium of at least six months in repayment and interest," said Seshagiri Rao, group managing director, JSW Steel. "The situation on the ground is very bad due to coronavirus," said Prabal Banerjee, group finance director, Bajaj Group. "There should be moratorium on principal repayment for two years and interest payments for the next six months for corporates. The net present value of loans should also be protected by adjusting the rate of interest, so that banks do not suffer," he said.

Analysts said several sectors are in trouble as their sales dwindled due to COVID-19 pandemic and the subsequent shutdown across India. "Sectors such as real estate, automobile, etc will also see pressure due to stretched working capital position and muted top line," said G Chokkalingam, founder and managing director, Equinomics Research & Advisory.

Inventory and debtors are a third, or 33 per cent, of net sales and higher for sectors like real estate (over 80 per cent) in a normal business cycle. This ratio could go up due to the current situation, thus, indicating working capital pressure.

Besides high leverage position, firms with elevated promoters pledging will have difficult times. "This will warrant asset sale to service debts in some cases," cautioned Chokkalingam.

"Companies that stand leveraged at 2.5x or more debt-to-equity may face pressure if the current lockdown spills over to the next quarter. The inability to produce/supply and the lack in demand will have a telling impact on the financial health of overleveraged firms. The current shutdown will impact profitability where fixed costs are high. Companies and sectors like cement, where variable costs are 80 per cent, will see smaller impact," said Vinay Pandit, head-institutional equities, IndiaNivesh.

"The government and the Reserve Bank of India should consider relaxing non-performing asset recognition for the interim, which will ease the stress on corporates, banks, and non-banking financial companies," added Pandit.

*With inputs from Krishna Kant*


# 'Our order volume has surged twofold after spread of coronavirus'

At a time when people prefer to stay indoors in order to minimise the spread of coronavirus, Bigbasket, India's largest online grocery firm, is seeing a huge surge in demand. This has put pressure on its bandwidth. **HARI MENON**, co-founder and CEO, tells **Bibhu Ranjan Mishra** how the Bengaluru-based unicorn is managing such a huge demand. Edited excerpts:

Q&A

**Has the ongoing crisis affected your supply network and operations?**

It has been affected. Obviously, we are seeing massive surge in orders. The number of daily orders has kind of doubled in the past few days when compared with a normal period. We are doing much better in managing those, but it is really putting severe strain on our system and people. I must say hats up to my people who are standing by us in such difficult times.

A lot of them, including our delivery associates, understand that it (to continue to provide) services is a national call. In fact, lot of them got cheered when they went out to deliver goods on Sunday evening.

**Is it putting any strain on your supply side?**

Our supply side is running smoothly. The problem is, we are getting huge number of orders that is much beyond what we can handle with our current capacity, which basically includes people, vans and storage (warehousing). So, since orders keep piling, (delivery) slots are closing faster. That means, sometimes the same order, which could earlier be delivered on the same day or next day, is sometimes taking two or three days to be delivered. Besides, most of our suppliers are working with us very closely. They realise the business is moving online and, thus, they are supporting us a lot more.

**Are you engaging extra people or temporary workers to manage the surge in demand?**

We are not able to get as many people we would need to basically to be able to service the orders of this magnitude. But, the beauty is, the capacity is controlled by us. So, based on the number of people and the delivery vans that are available with us every day, we set the capacity for that day. Any order that comes beyond that capacity, keep moving to be delivered next day or day after. So, we are actually able to control the capacity. Customers are also appreciative. We are delivering all the stuff. It would have become a bigger issue if you delivered late and delivered just half the things that were ordered.

**How is the clampdown by the states affecting you?**

Though the Centre had issued some clear guidelines, the execution at the state level was really bad (on Sunday). Many of our vans and people were stopped by the police, and some even got beaten up. It happened in certain pockets of UP, Mumbai, Chennai, and even Karnataka. There was a complete lack of coordination between the Centre and the states. We are talking to each of them and making sure that they get better. They are also realizing this. So, in that way, the government has been very supportive.

**How are you managing the inventory now?**

We used to have an inventory of 12 days. But that is coming down now, as things are depleting quite fast. Also, lots of our big suppliers are, in fact, supplying daily instead of once in two or three days they used to do earlier. And, when they supply daily, your stock holding also comes down.

**What are the employee safety measures you have put in place?**

While we know, we will have to continue to do our work in this difficult time, it also puts a lot of responsibility on us to make sure everybody is safe, including our employees.

We have recently launched contactless delivery, which is good for the safety of both for our delivery agents as well as customers.

**Are you all working from home?**

Yes. In fact, even though our head office where around 500 people work is not locked down completely, almost all of us are working from home. All the physical touch points, including warehouses and godowns, are, however, open.

PHOTO: SAGGERE RADHAKRISHNA


**Our supply side is running smoothly. The problem is that we are getting huge number of orders that is much beyond what we can handle with our current capacity, which basically includes people, vans and storage (warehousing)**

A STRUGGLE TO KEEP PRODUCTION GOING

# Cement firms close units, say no shortage for now

## But future order book of companies looks bleak

AMRITHA PILLAY
Mumbai, 23 March

Most major capital goods companies in the country have shut down facilities in districts which are under lockdown

With several states calling for a lockdown in multiple districts, it is a partial shutdown for India's cement and capital goods sector.

While companies are yet to assess the financial losses, they do not anticipate immediate shortage or delivery issues.

Most major capital goods companies in the country have shut down facilities in districts where a lockdown has been announced.

The country's largest engineering conglomerate Larsen & Toubro (L&T), according to sources, has completely shuttered its Mumbai facility in Powai and is operating Hazira at bare minimum.

L&T's Hazira plant in Gujarat is a bigger facility spread over 34,500 square metres with modular fabrication facility, as well as heavy engineering, defence and shipbuilding, and power equipment manufacturing facilities.

CORONAVIRUS PANDEMIC

Executives said it is too early to assess the overall impact on operations and financial performance. Vimal Kejriwal, chief executive officer (CEO) and managing director (MD), KEC International, said that so far transportation of despatches are allowed and March deliveries will not be impacted significantly.

The company's transmission manufacturing facilities in Maharashtra, Gujarat and Rajasthan have now been shut down owing to local restrictions.

Others like Siemens have shut all their facilities. "In addition to the disinfecting and sanitizing our offices and plants around the country, work from home for staff and a closure of all our manufacturing facilities have been carried out. Work at some project sites have also been impacted," said a spokesperson for the company.

In the response, the spokesperson said, "In compliance with these (regulatory announcements by the government authorities), there could be disruption in business continuity in spite of the best efforts of the company."

Order inflow for capital goods companies are also under stress.

"There is no order finalisation happening for the last few weeks," MS Unnikrishnan, MD and CEO, Thermax, had said last week. "Going forward, we are not expecting a full recovery to happen as nobody will want to conclude major orders," he added.

Unnikrishnan sees this worry continuing for the next couple of quarters.

Kejriwal added that tenders where preliminary work is already done, are still being undertaken. The concern on order inflow would be for those where ground visits or negotiations and meetings are pending.

"Even if there is an impact on order inflow, stronger capital goods companies have a healthy order book to keep factories busy for the next one year," he said.

In addition to capital goods, cement companies have shut down capacities due to local restrictions. UltraTech and Ambuja Cements are two such companies which have shut plants at multiple locations.

Executives from the cement industry, however added, the capacity shutdown will not have any immediate impact on supplies. Construction activity in several districts is also facing a ban owing to COVID-19, which has dragged down demand for the product. "Cement storage capacity is limited, and there is already stock maintained at the company, warehouse and distributor levels," one of the cement executives added.

Another industrial facility, which lies in the heart of Mumbai is Bharat Petroleum Corporation (BPCL)'s refinery. A company spokesperson said the refinery has not cut down staff to half as the refinery qualifies for essential services.

Oil marketing companies like BPCL and Indian Oil Corporation (IOC) said that throughput from the refineries have not been scaled down so far.

Most of these manufacturing companies employ contract labour on a large scale. Executive from multiple companies added that payments to contract labour will continue despite a shutdown. Contractual labour is typically paid for a day of work or on the basis of production.

# Lockdown impact weighs on steel industry

ISHITA AYAN DUTT
Kolkata, 23 March

The outbreak of COVID-19 and a lockdown to prevent the spread are threatening to impact production of steel companies.

Tata Steel is closing down its downstream standalone units in Maharashtra and Uttar Pradesh in line with guidance from respective states. The main sites at Jamshedpur, Kaliganagar and Angul, however, are operational, as they are process plants and hence have permission from local authorities, said sources.

One of India's largest steel makers, Tata Steel's consolidated crude steel production capacity is at 19.6 million tonnes, with manufacturing facilities in Jamshedpur in Jharkhand, Kalinganagar and Dhenkanal in Odisha, Sahibabad in Uttar Pradesh and Khopoli in Maharashtra.

Apart from curbs on manufacturing units, the clampdown on logistics was taking a toll on operations. A spokesperson for ArcelorMittal Nippon Steel India (AM/NS India) said production was impacted because of COVID-19 issue, lower demand and curtailed logistics.

AM/NS India's main plant is at Hazira and has a downstream facility in Pune. AM/NS India has an achievable capacity of 8.5 million tonnes.

Jindal Steel & Power Managing Director V R Sharma said JSPL plants were all currently operational, however, if the situation continued for more than a week then it might impact production. JSPL is expecting to end 2020-2021 with a production of around 8.5 million tonnes.

# FMCGs on toes to keep manufacturing on track

VIVEAT SUSAN PINTO & TE NARASIMHAN
Mumbai/Chennai, 23 March

Dabur suspends production until March 31

The lockdown across cities to tackle the COVID-19 outbreak has had an unintended consequence: Manufacturing of essential items has been hit hard. Dabur on Monday said it had temporarily suspended production until March 31 for most of its items, barring products such as Ayurvedic medicines, chawanprash and hand sanitizers, whose manufacturing would continue in public interest.

The state governments on Sunday and Monday had exempted makers of groceries and staples from its list of manufacturers included in the lockdown to ensure supply of essential goods and services wasn't hampered. But with people unable to move around and strict enforcement of Section 144 in many places, chief executive officers (CEOs) of fast-moving consumer goods (FMCG) companies admit that running factories has been a challenge.

Workforce is down to 25 per cent in many units. Some are even thinner at 15 per cent attendance only. While some others have had to shut their units down temporarily simply because workers have been unable to report to work as transportation grinds to a halt.

"We are thinly staffed across our plants because of the lockdown," Mohit Malhotra, CEO, Dabur India, said. "Some units like at Sahibabad in Ghaziabad district, Alwar and Kolkata are shut. This is a tough time. But having said that, the first priority for us is the safety of our people. The workers who are reporting for duty are doing so in batches and there is rotation of staff that is happening," he said.

M R Jyothy, managing director, Jyothy Laboratories, said that only five of her company's factories were operational on Monday out of a total of 25 units. "We will see how to get the 20 units up and running in the coming days. The situation currently is fairly unpredictable and we will have to wait and watch how it unfolds," she said.

Given the uncertainty and the likelihood the lockdown stretching beyond March into the first week of April, CEOs said they were in constant communication with their people to avoid confusion and panic on the factory floor.

"We are communicating with our team members across regions and functions to ensure business continuity and the movement of our products into the market. Our biggest priority is to ensure that sufficient supplies of high demand items like sanitizers, hand washes and soaps are replenished across channels," Vivek Gambhir, MD and CEO, Godrej Consumer (GCPL) said.

Most hygiene makers, including Hindustan Unilever, GCPL and ITC have ramped up production and distribution of hygiene products as demand surges. For this, they are talking to local authorities to allow production to continue at their factories, creating buffer stocks of inventory and managing staff movement around their plants.

"We have sought clearance from the authorities in the notified locations to continue manufacturing essential items like Savlon hygiene products and food products like Aashirvaad Atta," an ITC spokesperson said.

Gambhir said his company was working closely with raw and packaging material suppliers to facilitate their timely and uninterrupted supplies.

A V Anoop, managing director, AVA Group, which manufactures the Medimix brand of soaps, said it was impossible to match demand and supply given the strictures around the lockdown.

# Electronics hubs in total lockdown


The LG plant at Udyog Vihar Extension in Greater Noida wears a deserted look on Monday

PHOTO: ARNAB DUTTA

ARNAB DUTTA & T E NARASIMHAN
Noida/Chennai, 23 March

Umesh Mishra and his friends were busy discussing the night's menu for their team. Assembling near the closed gates of LG India Electronics' manufacturing plant at Greater Noida's Udyog Vihar Extension, the group of transport workers were in no hurry to take up their next assignment.

As the town undergoes a total lockdown, they could afford to spend the day chatting. Operations at the plant, which manufactures large appliances like refrigerators and washing machines, have been suspended till March 25.

Apart from a couple of security personnel at its entrance, none turned up on Monday. The deserted look that it was wearing on Monday afternoon was quite a sight. This is in stark contrast to the frequent movement of over 200 trucks, hundreds of workers and roadside vendors that used to jostle around.

Mishra, who hails from Bihar's Muzaffarpur, blames his fate. Like many other peers in his profession, he would have been on the move with his loaded truck by now. But with a lockdown in place, the state transport department has not yet given transport permit to his vehicle. "We are waiting for green light for our vehicle that was loaded with refrigerators on Sunday," he said.

Attendants at the fuel station, just opposite the Power Spack plant in the vicinity, are bored. The station that used to serve over 500 trucks and hundreds of passenger vehicles a day is now attracting only over 50 cars. Nearly half of the attendants have been asked to stay at home.

The sight at the Oppo India manufacturing plant, about 10 kilometres interior to the LG plant, is lonelier. The three security men behind its closed gates were attempting to sanitize the area with a motorised cleaning equipment. About 100 metres away, over a dozen abandoned trucks were parked and a few grazing buffalos were around. With people staying away from public places as well as workplaces and markets shut, traffic cops in the region are much relieved.

Their estimates suggest that over 90 per cent vehicles are off road and no road accidents have been reported in the Noida-Greater Noida belt in the past 24 hours.

The usually busy Greater Noida expressway is empty except small groups of commuters that gather at its sidelines, seeking lift from every passing vehicle. As public transport comes to halt, with metro and bus services suspended, most of them have no other option but to walk back home.

Television manufacturer SuperPlastronics has suspended activities at its three manufacturing units in Noida, Jammu and Una, said Avneet Singh Marwah, its chief executive.

According to Kamal Nandi, vice-president at Godrej Appliances, the firm has closed down both its plants — at Mohali (Chandigarh) and Shirwal (Maharashtra) — apart from warehouses and offices.

Samsung and Vivo, too, have suspended operations at their plants in Noida. A Samsung India spokesperson said the company has asked employees at all its R&D centres, sales and marketing offices to work from home. Further, it suspended production at its second plant in Chennai.

# Rupee breaches 76 against dollar as stocks take a beating

ANUP ROY
Mumbai, 23 March

The rupee crossed 76 a dollar for the first time as stock market tumbled amidst a rise in coronavirus cases globally, with more than 400 cases reported in India.

The rupee closed at 76.20 a dollar, down from its previous close of 75.20 a dollar. In the intraday trade, the rupee touched 76.30 a dollar. Currency dealers say the Reserve Bank of India (RBI) intervened to keep the rupee below 76, but let it fall further as pressures from the markets built up. Other emerging markets currencies also fell 0.5-1 per cent against the greenback as the dollar index remained at 102. The Sensex, benchmark equity index of the BSE, closed at 25,981.24 points, down 3,934.72 points, or 13.15 per cent. Trading was halted in the morning as the Sensex fell rapidly.

Currency dealers are not willing to hazard a guess as to where the rupee can go, but some of them say the equities could have been oversold for now, and so that would give some support to the rupee as well.

"The rupee should trade between 75 and 76.50 a dollar and not breach that level unless there is a huge spike in COVID-19 cases in India," a currency dealer with a foreign bank said.

The fall in rupee may also attract investors looking for value for their money with hopes of a strong bounce back, depending on how India tackles its crisis, said Sunil Kumar Katke, business head (commodity and currency) at Axis Securities.

"The rupee depreciation may continue in the short term and may touch levels of 76.75 to 77 ranges, which can be used for selling dollar targeting levels of ₹74 in a couple of months. Traders may look at these levels for a sell and rollover strategy in futures platform, eyeing a premium of ₹0.20 every time they roll over their positions," Katke said.

The volatility in the exchange rate is also the result of an extremely thin trading volume, currency dealers said.

Traders are largely working from home and are executing orders largely to fulfill the need of the clients. Even as dollars are flowing out of the country with continued fall in stocks, the demand from oil marketing companies have disappeared largely as oil prices have fallen to $25 a barrel level, dealers said.

"This uncertainty has triggered a flight to safety. There is a scramble for US dollars. US treasury yields have dropped on account of risk aversion," said currency consultant IFA Global in a note to clients.

However, RBI's dollar swap operation saw tepid response from currency dealers.

Instead of $2 billion on offer, banks bid for only $1.53 billion, out of which the central bank accepted bids for only $650 million.

The RBI announced a series of measures, including secondary market bond purchases, and FX swaps to support liquidity in the system. The RBI also stands ready to infuse liquidity in the market as and when needed. It has a forex reserve of more than $481 billion, which can be effectively used to address any dollar shortage in the market.

However, currency dealers say when all the currencies are falling, the RBI may not want to intervene aggressively.

"Small interventions work perfectly in a thin market, and dollar being fungible, there is no end to how much the central bank can use," said the head of treasury of a bank.

"The Indian rupee is expected weaken further against the dollar even though USD-INR pair is trading at all-time high levels .... Downside 74.40 level will act as support for further upside rally up to 78 levels," said Sriram Iyer, senior research analyst at Reliance Securities.

# Corporate bond yields spike on default fears

ILLUSTRATION BY AJAY MOHANTY

ANUP ROY
Mumbai, 23 March

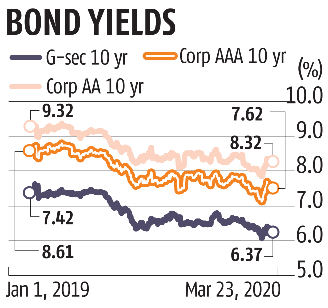
Corporate bond yields have shot up, widening the spread between them and government bonds, as investors shun the companies fearing defaults due to coronavirus-induced slowdown.

"Locally bond markets had already become very discerning due to the NBFC crisis. So the main issuance was dominated by public sector units (PSUs) or stronger credits. Rolling over and refinancing will certainly become more difficult, especially as credit spreads have widened," said Gaurav Kapur, chief economist of IndusInd Bank.

CORONAVIRUS PANDEMIC

The spread between equivalent maturity government bonds and corporate bonds have also widened considerably in this period. The spread for AAA and AA bonds were at 95 basis points and 166 basis points, respectively, on March 3. That has now widened to 130 and 197 basis points, respectively.

**BOND YIELDS**




Compiled by *BS* Research Bureau
Source Bloomberg

Yields on the non-banking finance companies papers have risen to 8.5 per cent now, from 7.25 per cent on March 3, which is to say that NBFC yields are back at October 2018 level, said Kotak Mutual Fund in a report.

"Effectively, market has chosen to forget all the previous rate cuts, policy actions and buying supports. Three-year MCLR of banks is in the band of 7.85-8 per cent. While three-year HDFC is trading at 8.25 per cent, that of Bajaj Finance is at around 8.5 per cent. Three-year REC is trading at 8 per cent. These NBFCs/HFCs are not likely to borrow from capital market in the near to medium term future," the mutual fund noted. Expecting a major hit on consumer demand, corporates are demanding special relaxations from the Reserve Bank of India (RBI) and the government. "Both bond and loan defaults will exponentially rise if the RBI doesn't allow two years moratorium on principal payment and six to one year moratorium on interest payments. The slowdown will have a huge consequence on bank's non-performing assets," said Prabal Banerjee, group finance director at Bajaj Group.

A similar sentiment was echoed by Aditya Puri, HDFC Bank managing director and CEO. "We have to clearly come out with forbearance across the length and breadth because the cash flow of almost all companies will be affected if we have the lockdown."

Even rating agency executives are getting wary of defaults. "Defaults would likely rise in bank loans if the current lockdown continues beyond March 31. The impact may first be visible in consumer lending to non-salaried borrowers, followed by SMEs and mid-cap companies. The severity of defaults depends upon how long this crisis continues," said Ananda Bhoumik, managing director at India Ratings and Research.

However, bonds are now getting issued by mostly AAA-rated entities and PSUs, where the risk of default is lesser than lower-rated entities, bond arrangers said. India is not alone in this. Even the firms in the US will not be spared from defaults, rating agencies have cautioned. Moody's expect the coronavirus-induced slowdown to hit a minimum of 16 per cent of US companies, and 45 per cent of the companies in the worst scenario. The normal default rate is around 4 per cent only.

Generally, the fourth quarter of the fiscal year is the busiest season for corporates, and bond issuances peak. Every year, the issuances are also on the rise. But in the fourth quarter, the issuances have fallen. And almost all issuances are from NBFCs and government-owned entities.

Between January and March so far, ₹1.85 trillion worth of bonds have been raised from the market by NBFCs, PSUs, and corporates. In the year-ago quarter, bonds issued were ₹2.40 trillion. Similarly, in Q3FY20, the total issuances have been ₹1.63 trillion, but in the year-ago third quarter, the issuances were over ₹2 trillion.

The 10-year bond yields closed at 6.38 per cent.

# RBI needs to ease asset quality norms, cut repo rate: Aditya Puri

SUBRATA PANDA & HAMSINI S KARTHIK
Mumbai, 23 March

**"We have to make sure we spend enough for the health care sector and put in as much of a stimulus as we can, (only) then we live to fight another day. This is more of a biological than a financial crisis"**
ADITYA PURI
HDFC Bank chief executive

Aditya Puri, chief executive of the country's largest private sector lender HDFC Bank, said on Monday the central bank needed to take immediate measures like policy repo rate cut and easing of asset quality norms to cushion shocks in the wake of the spread of coronavirus.

"We need to look at non-traditional rate cut in the repo rate to ensure yields are maintained properly and ensure there is enough liquidity. We have to clearly come out with forbearance across the length and breadth because the cash flow of almost all companies will be affected if we have the lockdown," Puri said.

The Reserve Bank of India (RBI) doesn't have a choice but to provide some relaxation on the asset classification norms, he said. The RBI extended priority sector classification for bank loans to NBFCs for on-lending for FY21. RBI said existing loans disbursed under the on-lending model would continue to be classified under priority sector till the date of repayment/maturity.

He said: "We have to make sure we spend enough for the health care sector and put in as much of a stimulus as we can, (only) then we live to fight another day. This is more of a biological than a financial crisis. So, the first thing we need to focus on is to solve the health crisis and, fundamentally, the lockdown is an excellent idea because we need to flatten the curve. If we don't see the curve flattening at the end of the lockdown, we will probably need to extend the lockdown."

His bank may see a muted growth in the fourth quarter (March) but the bank has surplus liquidity of $5 billion. This will provide a cushion to tide over the difficult times. HDFC Bank has also tightened in its lending norms for retail loans. He ruled out any emergency credit line to customers while being open to support worthy borrowers in the hard times. Unlike State Bank of India (SBI), which gets capital from the government, we need to go to the market to raise capital. Therefore, we cannot do a business that is not profitable, Puri said on why it would not be possible to extend emergency working capital loans like SBI.

Some days ago, SBI opened an emergency credit line to meet any liquidity mismatch for its borrowers. SBI would charge 7.25 per cent interest rate on the emergency credit line. Downplaying the fears regarding its unsecured consumer loan portfolio, Puri said: "Of the 16 per cent, 6 per cent is cards and 10 per cent is personal loans. In the personal segment, 75 per cent is to the salaried class of top-tier companies and, consequently, there is no reason to be worried about that portfolio."

The bank has well diversified SME book across sectors with non-performing loans of about 2 per cent and it is a very granular portfolio. "80 per cent of our SME loans have collaterals and 85 per cent of them are self-funded, that is, customers have deposits with the bank. We cater to niche SMEs and mostly the top three SMEs, based on product profile, in a region. Our average ticket size for SME loans in ₹1.2 crore," Puri said. Moreover, as much as 80 per cent of the bank's wholesale lending is to AA and above and the exposure is spread over 150 sectors.

Puri also said: "After every crisis, the world changes, I think this has an effect on globalisation. There'll be an effect on more digitisation. There will be effects on making sure there is not so much income disparity. One, oil at 26 is a real bonanza. The drop in prices of commodities is a phenomenal bonanza. The fact that we are not so integrated into the global economy cushions us. If we can solve this health issue, when we come out, we will be one of the stars."

To ease the pressure on customers, banks have taken a slew of measures. Axis Bank on Monday waived charges for savings account, current account, and prepaid card customers (wherever applicable) towards online IMPS and ATM financial and non-financial transactions for the period of March 23-31. Federal Bank has said daily cash withdrawal limit on debit cards has been raised to ₹1 lakh and digital banking services will be functional round the clock.

**Priority sector tag for bank loans to NBFCs extended**

The RBI has extended the priority sector classification for bank loans to NBFCs for on-lending for FY21. The classification benefit was to be available till March 31. This is part of steps to support financial sector entities to deal with slowdown and aftermath of COVID-19.

## Bank to name Puri's successor before April

SUBRATA PANDA
Mumbai, 23 March

HDFC Bank will announce the name of the successor to its CEO Aditya Puri before April. The term of Puri, who has been at the helm of the largest private sector lender for decades, ends in October 2020.

Puri in an interaction with reporters said: "... the recommendations are with the search committee and before April, an appropriate person who will take the bank into the future will be announced".

Around two and a half years ago, the bank decided to change its business model given the advancement in telecommunication, computing, artificial intelligence, and social mobility. A change agent was appointed by the bank who worked as the surrogate of Puri and oversaw the entire change.

# States can borrow three months' ration from FCI

SANJEEB MUKHERJEE
New Delhi, 23 March

The Centre on Monday allowed states to borrow three months of ration from the Food Corporation (FCI) warehouses, to help them distribute foodgrains free of cost to the poor and vulnerable sections impacted by the COVID-19.

In February, the states were allocated 4.55 million tonnes (mt) of wheat and rice under the National Food Security Act (NFSA), of which states lifted around 4.42 mt, that is almost 97 per cent.

**The move will help states distribute foodgrains free of cost to the poor and vulnerable sections impacted by the COVID-19**

That apart, grains are also allocated for distribution for other welfare schemes, that includes midday meal programme, Integrated Child Development Scheme (ICDS), and defence forces.

Uttar Pradesh, Rajasthan, Karnataka, Delhi, Punjab, West Bengal, and several other states have decided to distribute free ration for the next few months in advance for the poor in view of the COVID-19 crisis.

India annually distributes around 55-60 mt of wheat and rice among beneficiaries of its welfare schemes through its network ration shops across the country.

Due to good procurement over the past few years, March-end stock levels of wheat and rice in central government warehouses is enough to distribute one-full year quota of grains in advance among all the ration cardholders and beneficiaries of other welfare schemes.

## Irdai relief for policyholders

In the wake of COVID-19 outbreak wherein normal services have been disrupted, the Insurance Regulatory and Development Authority (Irdai) on Monday gave certain relaxations to the policyholders and insurance companies.

The regulator has asked the life insurers to extend the grace period for payment of renewal premiums by an additional 30 days if the policyholders want it. It has asked the health insurance firms that the insurers may excuse delay in renewal up to 30 days without deeming such condonation as a break in policy. "However, insurers are requested to contact the policyholders well in advance so as not to have a discontinuance in coverage," it said.

SUBRATA PANDA

# COVID-19 throws budgetary targets out of the window

## Divestment shortfall could be ₹15K cr, against revised estimates of ₹65K cr

ARUP ROYCHOUDHURY
New Delhi, 23 March

The central government has kept aside its budgetary targets as parts of India have gone into an unprecedented lockdown due to the COVID-19 pandemic.

The revised fiscal deficit target for 2019-20, of 3.8 per cent of gross domestic product, will not be met due to an expected shortfall in tax and divestment revenues, as the economy grinds to a near halt.

In fact, the divestment shortfall could be as much as ₹15,000 crore, compared with the revised estimates of ₹65,000 crore, *Business Standard* has learnt.

Even for the coming year, the Centre is expecting divestment work and tax revenue collections to be hit for the April-June quarter. No one in the government is making any predictions beyond that, given the ever changing situation.

"We are not even thinking about the fiscal targets now. Whatever can be done for March will be done. For the first (April-June) quarter as well, the outlook does not seem so good. There is no clarity beyond that yet," said a senior government official. The official confirmed that the fiscal deficit target was likely to be missed.

"The government's aim, in terms of divestment, is to get money from the completed transactions. No new transaction is being carried out," said a second government official.

This means that the planned initial public offering of IRFC, and the planned ₹8,000-crore sale of the Centre's stake in ITC and Axis Bank through Specified Undertaking of Unit Trust of India has been put on hold. The only proceeds that the Centre will get will be from the acquisition of THDC and NEEPCO by NTPC, and a few buybacks. From the former deal, the Centre expects around ₹12,000 crore.

"We will touch around ₹50,000-51,000 crore," the second official said.

Sources said the planned strategic sales of Air India, Bharat Petroleum, Container Corp and Shipping Corp would also be delayed. All work on these seems to have stopped now. "When the Indian and global economic situation improves, and nobody knows when that will be, these processes will be resumed," the first official said.

Equity market crumbled on Monday as stocks across the board fell like ninepins after India went into the lockdown to contain the spread of COVID-19 pandemic. In the early deals, trading was once again halted for 45 minutes as the Sensex hit a lower circuit limit of 10 per cent. The sell-off continued when the trading resumed. It was the second instance of trading halt in the Indian market in a span of 10 days.

On March 13, Nifty hit lower circuit in the opening deals for the first time since May 2009.

Officials said there had been no official word or indication from the top yet. The expectation from officials is to do what they can, but it is understood that all fiscal and budgetary targets don't matter anymore.

Earlier this month, it was reported that the collection of advance tax paid by corporate houses fell over 10 per cent during April-March 15 of 2019-20. This decline, after the deadline of the fourth instalment ended on March 15, could lead to a revenue shortfall of at least ₹35,000 crore in the total direct tax collections of the current fiscal year.

Even the tax settlement resolution scheme, Vivaad Se Vishwas, may not help shore up coffers due to the COVID-19 pandemic that has halted all outreach programmes by the income-tax department.

Given the demand and consumption slowdown across sectors even before the pandemic hit, Finance Minister Nirmala Sitharaman had, in her 2020-21 Union Budget speech, invoked the escape clauses in the Fiscal Responsibility and Budget Management Act to revise the 2019-20 fiscal deficit target to 3.8 per cent of GDP from 3.3 per cent. For 2020-21, the target is 3.5 per cent.

## S&P cuts FY21 growth forecast to 5.2%

S&P Global Ratings on Monday cut its estimate for India's GDP growth in the fiscal starting April 1 to 5.2 per cent from its earlier estimate of 6.5 per cent, as it saw the outbreak of coronavirus costing economies around the globe. It put "the total and permanent income loss for Asia-Pacific from COVID-19 at around $620 billion."

"This loss will be distributed across sovereign, bank, corporate and household balance sheets," it said but did not give country-wise break up its estimated loss. S&P said it had revised estimates for real GDP, inflation and policy interest rates for Asia-Pacific nations. For India, it estimated a 5.2 per cent growth in 2020-21, down from the previous estimate of 6.5 per cent. In the following year, it projects a 6.9 per cent growth, down from 7 per cent earlier for 2021-22. PTI

# *Corona contribution to be counted as CSR activity*

RUCHIKA CHITRAVANSHI
New Delhi, 23 March

The Centre on Monday declared contributions by companies towards fighting the COVID-19 pandemic as a corporate social responsibility (CSR) activity.

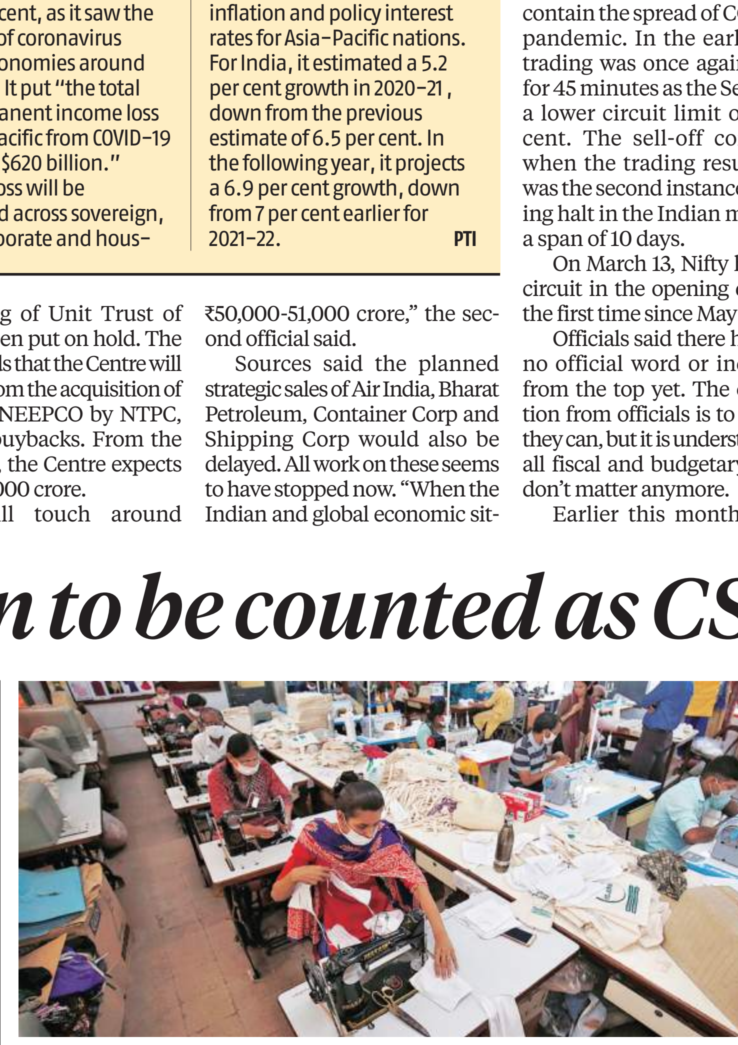
"In view of the spread of novel #coronavirus in India, its declaration as pandemic by the WHO, and decision of the government of India to treat this as notified disaster, it is hereby clarified that spending of CSR funds for COVID-19 is eligible CSR activity," Finance Minister Nirmala Sitharaman's office tweeted.

Companies will be able to spend CSR funds through items listed under schedule VII related to promotion health care, preventive health care, sanitation, and disaster management. "...Items in schedule VII are broad based and may be interpreted liberally for this purpose," a notification by the corporate affairs ministry said.

Schedule VII includes funds such as the Prime Minister's National Relief Fund and Swachh Bharat Kosh. Last week, the Centre allowed accredited private labs to conduct the tests of samples to ramp up its testing capabilities.

Corporate sector experts said it would be looking for viable alternatives for deployment of CSR funds considering March deadline is fast approaching. The latest notification is expected to help mobilise contributions towards this disaster.

Companies that want to support the government in the COVID-19 had no specific alternative except contributing to these funds which



serve a large and generic purpose.

"There were companies who were willing to contribute funds to support the government but were not clear if this would classify as an eligible spend under preventive health care or disaster management. This circular from MCA reinforces the 2014 circular and helps in removing this confusion," Anshul Jain, partner, PwC India said.

The government has also introduced draft rules for corporate social responsibility with a stricter definition of CSR and putting greater onus on companies to report details of CSR activities for increased monitoring on the way such funds are used.

Companies will now be required to submit a much more comprehensive form providing details of not just ongoing projects but any other projects. The reporting is not limited to the current financial year but extends to previous financial years too. For this purpose, the government has proposed to insert a definition for ongoing projects — "a multi-year project undertaken by a Company in fulfillment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced..."

Companies in a separate form will have to provide the details of CSR amount spent or unspent for the preceding three financial years, according to proposed rules.

# Brand taglines and pop culture

Are digital ads depriving brands of the benefits of long-running themes?

AMBI PARAMESWARAN

I was putting my swimming kit into the locker in my swimming club when I heard an old man sing "*Oonche log. Oonchi pasand*". I chimed in "*Manikchand*" (a brand of *pan masala* that used the line) and asked him why now. He replied that I was tucking my bag into a locker that was almost my height (6 feet), while he was stuffing his bag into a locker that was aimed at "less oonche people" — he was just under 5 feet 6 inches.

Then there was someone who tagged me to his tweet that went something like this: An old friend visited us last week and when I mentioned our kids were 12 years and 15 years of age, he commented "Your wife is a Santoor Mummy". A Santoor Mummy is supposed to be one who doesn't look her age. If I am not mistaken, this line was used in the movie *Dream Girl* by the hero and his friend to curry favour with their landlord's wife.

You may have also heard this comment being made in campuses or offices when a boy and a girl are inseparable: "*Yeh to Fevicol wala jod hai, aasani se tootega nahin* (this is a Fevicol bond, it will not break easily)."

In the film *Chhichhore*, the young hero while starting out at an engineering college asks a *pan-bidiwala* where he could find the room allocated to him. The shopkeeper replies: "Melody *khao khud jaan jao* (have a Melody toffee, and you will find out yourself)". Telecom brand Idea used the tagline "What an Idea, sir*ji*" and it became part of public discourse, though in this case the line was first used by Johnny Walker in an old Hindi movie.

On February 10, an editorial piece in The Times of India said our politicians should chant "Vicks *ki goli lo*..."

**In today's digital advertising-driven marketing campaigns, I am not sure if niceties like headlines and taglines are carried from campaign to campaign, month to month, year to year. That's a shame**

These were examples of lines used by brands that became part of popular culture.

There is yet another way brands and taglines join popular culture.

Take the statement "*Kuch meetha ho jaaye*" (let us have something sweet), which was effectively used by Cadbury's Dairy Milk chocolate to make it an ideal replacement for traditional Indian sweets. They continued this with the line "*Muh meetha kariye*" (have something sweet).

Indian consumers have used "*Kitna deti hai*" for a long long time. It was used with respect to a cow and the amount of milk that the animal delivered every day. Later, it got absorbed as a way of checking the fuel efficiency of a car. Maruti in a series of ads a decade ago absorbed this popular saying into the brand narrative to drive home the fact that even the most rich looked for economy.

Chlormint, in an iconic advertisement, used the line "Dobara mat poochh na" (don't ask a second time); the person who asked the question got dunked into a bucket of water in its ads. HDFC Life Insurance appropriated the line "*Sar uthake jiyo*" (hold your head high).

We can add more brands to this list. Sometimes a brand borrows something from popular phraseology and puts a new spin on it.

Airtel used the idea that friends come in all shades with the line "*har ek friend zaroori hota hai*" in a manner that it became a brand property. Similarly, Surf used the term "daag achchey hai" (stains are okay) to communicate the need for kids to play and get dirty.

Finally, there are purely ad copywriter created taglines that live on. They may not join popular culture, you may not hear the line when you are in your swimming club, but if someone says the line, you will remember the brand instantly.

Here are a few: "Fill it. Shut it. Forget it.; *Har ghar kuch kehta hai*; Uski kameez meri kameez se safed kaise."

All these lines were drawn from the era of print, television and cinema advertising. But in today's digital advertising-driven marketing campaigns, I am not sure if niceties like headlines and taglines are carried from campaign to campaign, month to month, year to year. That's a shame. Marketers are missing out on what a long-running theme and tagline can deliver for their brand — it can join popular culture to become part of the language a consumer speaks at home and in his club.

*The author is an independent brand strategist, brand coach and founder of Brand-Building.com*
*ambimgp@brand-building.com*

## CHINESE WHISPERS

### Faith above virus

The massive gathering in Ayodhya on Ram Navami planned for the first week of April may have been called off because of the spread of COVID-19, but the Vishva Hindu Parishad (VHP) on Monday continued with its preparations for constructing a Ram temple in Ayodhya. The Sangh Parivar outfit made public a silver throne, which, it said, had been ordered by the erstwhile princely family of Ayodhya, where the idol of Ramlala will be kept until the new temple is constructed. The VHP said the chief of the erstwhile princely family, Vimalendra Mohan Misra, had paid for it and craftsmen from Jaipur crafted the silver throne, which weighs 9.5 kg. Defying advisories to exercise social distancing, several VHP leaders and priests came together to do a *havan* for the throne and showcased it to the media.

### Opposition thumbs ups

Prime Minister Narendra Modi's clarion call for a Janata Curfew against coronavirus and cheering to support doctors and other health care workers had not only resonated with his band of committed supporters but also with Opposition leaders, it appears. UP Congress President Ajay Kumar Lallu (*pictured*), who is a big critic of Modi, extended his support by clapping from his balcony on Sunday evening. He said the services rendered by doctors and nurses in the collective effort to beat the disease were commendable. He also demanded that the government immediately release a financial package for daily wage-earners and create isolation wards at local primary health centres. Samajwadi Party patriarch Mulayam Singh Yadav's daughter-in-law Aparna Yadav, who had unsuccessfully contested the 2017 UP polls, also supported the Janata Curfew call. However, on Monday the Shiv Sena came out strongly against the PM's call. Sena leader Sanjay Raut said people were not taking the social lockdown seriously as the PM had turned the situation of concern and worry into a "festival-like event".

### Farewell to speeches

Parliament's Budget session coming to a premature end because of the spread of coronavirus denied a special ritual to more than 50 Rajya Sabha MPs who are retiring in the first week of April. It is customary for retiring MPs to give farewell speeches. However, this could not happen on Monday because Chairman M Venkaiah Naidu adjourned the House after it returned the Finance Bill and Appropriation Bill to the Lok Sabha. There is some uncertainty over the Rajya Sabha elections on March 26, because that would require Legislative Assembly members in states to queue up to cast votes. Election Commission sources, however, said as of now the polling was on schedule.

# Health and hygiene in times of COVID-19

The market for masks, soaps and hand sanitisers is booming, prompting the government to weed out spurious products and focus on long-term habit formation

VIVEAT SUSAN PINTO

### HOW THE HYGIENE MARKET STACKS UP

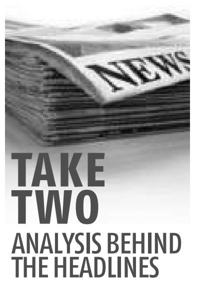
| Category | Size (₹cr) |
|---|---|
| Soaps | 19,000 |
| Hand wash | 1,000 |
| Hand sanitisers | 150 |

| KEY PLAYERS | MAJOR BRANDS |
|---|---|
| HUL | Lifebuoy |
| Reckitt Benckiser | Dettol |
| Godrej Consumer | Savlon |
| ITC | Godrej Protekt |
| Himalaya | Cinthol |
| Wipro Consumer | Santoor |

Source: Industry

The messages are all over, exhorting people to stay safe and adopt basic hygiene standards. At a time when COVID-19 cases in India have crossed 400 and are increasing by the day, the focus on long-term habit formation is key.

A fallout of this is that the market for masks, soaps, hand sanitisers and liquid handwash is booming, resulting in stock-outs and companies ramping up production. Although price escalation has been curbed after the government stepped in last week to monitor the production, distribution and marketing of face masks and hand sanitisers, the issue of spurious products remains a problem.





Raids have been conducted non-stop by authorities in states such as Maharashtra, Uttar Pradesh and Karnataka, clamping down on unorganised makers of face masks and sanitisers. But the journey is long and challenging, say sources within the fast moving consumer goods (FMCG) market.

In the last few days, the price of a 50-ml bottle of hand sanitiser at retail outlets in Mumbai has fallen sharply. Brands such as Godrej Protekt and Savlon, for instance, are now available for ₹25 and ₹27 respectively, a drop of 66 per cent in the prices. Face masks, on the other hand, are now available for ₹50 a unit, versus ₹100-150 a unit earlier.

For a category considered niche and only around ₹150 crore in terms of size, experts say that it will be just a matter of months before hand sanitisers as a segment will double to around ₹300 crore in terms of size, given the demand for it.

Soaps and handwashes, on the other hand, have promotional offers running at groceries and supermarkets to boost consumption. But the other side of the picture is that people have been buying these products in large quantities over the last few weeks as panic buying grows, top retailers have told *Business Standard*.

Officials at Big Bazaar, one of the largest grocery chains in the country, said that they are not closing any of their outlets in Mumbai and other cities even as malls are in lockdown mode. An executive at Big Bazaar said that the retailer had a standard operating procedure in place to protect people and staff from COVID-19 at all its outlets across the country. This included sanitisation of cash and baggage counters, thermal screening at entry and exit points, use of gloves and masks by security and personnel as well as disinfection of high-contact areas within stores.

Some grocery retailers such as DMart are implementing strict crowd management policies at their outlets in Mumbai and other cities to minimise the rush at their outlets.

Random checks and tests by local authorities are being conducted at retail outlets across cities to prevent sale of spurious products as well as monitor crowds now that Section 144 of the Criminal Procedure Code has been implemented across cities.

E-tailers are chipping in too, with market places such as Amazon indicating that it will monitor sellers of hygiene products on its platform to weed out fake products. Sunil Kataria, chief executive officer, India and SAARC regions, Godrej Consumer (GCPL), said these were challenging times for consumers as they battle misinformation, shortage of products and an overall health scare.

"Busting myths and scares is important during this period. I firmly believe that the emphasis will have to be on hand-washing," he says. "An essential category such as soaps is primarily used for bathing purposes in India, not hand-washing. The message will have to be reinforced all the time that hand-washing is important. And if done in the proper way can help prevent the spread of viruses such as COVID-19," he said.

Most big brands including names such as Lifebuoy, Dettol, Savlon, Godrej Protekt as well as PureHands from Himalaya have increased public awareness campaigns around hand-washing in the last few weeks. An ITC spokesperson said that awareness was being enhanced through platforms such as digital and social media. "With the surge in demand, we are trying to ensure adequate supply of Savlon sanitisers, hand wash, soaps and anti-septic liquid," the spokesperson said.

In response to a mail, an HUL spokesperson said that there was heightened need for hygiene products. "We have increased our efforts to ensure consumers' hygiene needs are fulfilled. Our focus is on educating people on proper hygiene habits and providing access to products that keep them safe including Lifebuoy soap and hand sanitisers and Domex home cleaners," the spokesperson said.

Last week, HUL committed ₹100 crore in the fight against COVID-19. The company also cut the price of its Lifebuoy hand sanitisers and hand wash as well as Domex floor cleaners by 15 per cent. Among other measures, HUL will make available soaps to needy people, donate ₹10 crore for better testing facilities and increase public awareness around hand hygiene.

Experts said that the surge in COVID-19 cases in a span of three weeks in India had put pressure on healthcare professionals, companies as well as government authorities to improve hygiene habits even as sanitisation, disinfection and avoiding congregation of people at public places, offices and shopping centres is strictly implemented. Some companies are now pushing the envelope in terms of innovation, launching products that are affordable and easy to use.

Kataria said that GCPL was pushing a hand wash in powder format under Godrej Protekt. The refill sachet of the powdered handwash, he said, was available for ₹15 a unit. If mixed with water, it produced 200 ml of liquid handwash, allowing many more people to sample the product at an affordable price.

Soaps, a highly penetrated category in India and valued at ₹19,000 crore, is already available at multiple price points starting from ₹5 a unit, though ₹10 price-point packs have been popular in recent years.

## ON THE JOB

# Should the state compensate for lockdown?

MAHESH VYAS

The effort to contain the coronavirus is big. The Janata Curfew announced by the Prime Minister brought the entire country to a standstill for 14 hours on Sunday, March 22. The Maharashtra government decided on March 20 that four large cities of the state would remain practically shut till March 31, that is, for eleven days. The cities include Mumbai Metropolitan Region which in turn includes a clutch of satellite industrial towns around the main island city.

On March 23, the list expanded to 80 cities in 19 states and three Union Territories. This includes Delhi, Kolkata, Chennai and Bengaluru. Twenty-two districts are shut for all non-essential services.

The economic cost of this is not limited to travel and tourism or hotels and restaurants, anymore. When the business capital of India shuts along with most industrial and commercial towns of Maharashtra, the impact is widespread. To place this in perspective, Wuhan has a population of about 11 million. In comparison, the four cities partially shut in Maharashtra account for a population of about 33 million — thrice the size of Wuhan. By Monday, March 23 we were talking about a much bigger shutdown.

This shutdown may contain the virus from spreading and save lives but, it will do so at a huge cost to the economy.

The government has so far not shown any inclination to foot this bill. The cost will be paid by enterprise and by labour.

Interest costs do not stop for enterprises that have an outstanding borrowing during such shutdowns. The same holds true for households with a borrowing. EMIs do not stop. Rents do not stop either. Banks and other lenders of capital and also landlords do not suffer during this shutdown like non-finance enterprise and labour does.

Enterprise profits will take a hit as business comes to a standstill across a large number of sectors. According to a FICCI survey conducted before the large-scale shutdowns that came into effect over the weekend, 53 per cent responding business units said that business operations have been impacted; 80 per cent said that cash flows had declined; 60 per cent said supply chains have been impacted. Forty two per cent believed that it would take three months to return to normalcy. The situation could have only gotten worse.

The Department for Promotion of Industry and Internal Trade has asked industry associations to issue advisories that industry should continue to pay salaries on time. If industry is able to do this, it would take care of workers in the organised sector. These are the relatively safe workers who even have savings to fall upon during difficult times. It does not take care of the much larger contingent of the unorganised labour force. Besides, the governments directive assumes that industry has the ability to pay workers in such times.

In normal times, 33 per cent of listed companies are loss-making. The year 2019-20 has been exceptionally bad. The share of loss-making companies has risen to 40 per cent. Further, inflation-adjusted gross value added by listed companies declined year-on-year in each of the last three quarters. The government needs to recognise that industry is not in a very good position to pay. Enterprise is weak and entrepreneurship is at its lowest.

Big companies may show generosity. The weaker ones need generosity. A sweeping directive asking companies to pay labour for no work will increase inequality through government diktat.

The state can shutdown the economy. What is important beyond that is its capacity to bring the economy back to its feet.

State capacity is important not only to deal with a crisis but also to emerge from it.

Labour will once again just exit labour markets as it did in the previous two shocks. The labour participation rate and the employment rate will fall. There are signs that it has started doing so already. Migrant workers were seen thronging railway stations and bus depots to go back home. They will not look for work till they come back. This phenomenon will show up as a fall in the labour force.

But, passenger trains were cancelled on Sunday to stop the virus from travelling. That leaves migrant labour stranded with no work and no pay in a foreign land with no rescue.

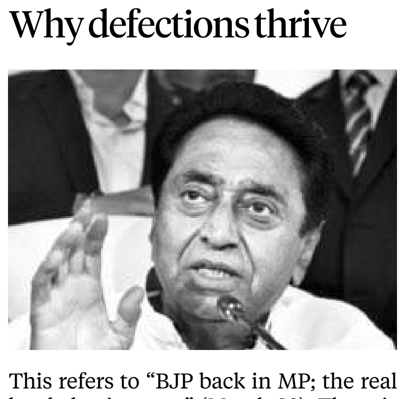
Government finances are a mess and its capacity constrained. Its diktats on enterprise paying labour for no work could mess with the finances of enterprise and its capacity to bounce back. Its better for the government to pay for this shutdown than ask enterprise to pay. Enterprise cannot do much anyway. Building state capacity, not just finances, is important for now and for a better tomorrow.

The weekly estimates of labour statistics generated from the Consumer Pyramids Household Survey are for only six days ended March 21. The rate rose to 8.4 per cent.

*The author is MD & CEO, CMIE*

## LETTERS

### Why defections thrive



This refers to "BJP back in MP; the real battle begins now" (March 23). There is not an iota of doubt that due to the sheer mishandling of the state's political affairs by an ageing Congress, the outgoing CM Kamal Nath (*pictured*) has handed the power to "Kamal" (lotus, the Bharatiya Janata Party's or BJP's election symbol). The new government would, in all likelihood, be led by Shivraj Singh Chouhan. With rebel Congress MLAs crossing over to the BJP and Jyotiradiya Scindia's big-ticket entry into the saffron camp, the turncoats would get BJP ticket as and when elections happen. Thanks to loopholes in the anti-defection law, the Supreme Court was forced to make the Speaker accept the resignation of rebel MLAs. The law does not have a provision that unless the rebels from the ruling party — who join the Opposition to topple the elected government — get re-elected within three months (instead of six months) on the ticket of the other party, the minority government should be allowed to continue. In such a scenario, one wonders whether the voters in MP are mature enough to defeat the defectors in the by-elections. Unless voters reject defectors, the toppling game would continue and India cannot claim to a vibrant and mature democracy.

**N Nagarajan** Secunderabad

### Need economic stimulus

That people in the country took note of the seriousness of the evolving situation in their own backyard and across the globe — following the rapid spread of COVID-19 caused by the coronavirus — and extended a whole-hearted support to the "Janata Curfew" call by the Prime Minister to instil the significance of social distancing is truly heartening. While the country has not yet reported any case of community transmission of coronavirus, it should not lead to any room for complacency. By bringing people, including the ones with pre-existing medical conditions such as pneumonia, under the ambit of testing, and by propagating the importance of social distancing, the government at the Centre and the ones in the states appear to be taking all the necessary steps to contain the spread of COVID-19. But what cannot be forgotten at this critical juncture is the importance of economic stimulus to cushion the impact of the outbreak.

**M Jeyaram** Tamil Nadu

### Lockdown's upside

This refers to the report "India gets into lockdown mode" (March 23). I have a few suggestions to use the situation to regain or enhance the quality of domestic life: First, if one partner or both are working and were not spending enough time together, it is now possible to do so. They can discuss ways of making life happier or discuss doubts. Even in cases where couples have a strained relationship and are not on talking terms, this is the best time to restart. Second, they can spring a surprise by exchanging conventional roles such as the husband trying his hand at cooking while the latter learns some different skills. Third, if someone has school or college going children, one can teach them life skills. The working parents should appear to them as persons who care about them but could not show it due to work pressure. Fourth, if someone has a hobby (such as listening to music, singing, dancing, reading and writing) but was not getting time to follow it, now it can be revived.

These times can also be used to add to your knowledge about the things people wanted to know but did not have time to find the answer to. Additionally, people can play indoor games with family members. If nothing else, they could play *antakshari* using its different forms.

**Y G Chouksey** Pune

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The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 • E-mail: letters@bsmail.in
**All letters must have a postal address and telephone number**

## HAMBONE

Business Standard
Volume XXVI Number 242
NEW DELHI | TUESDAY, 24 MARCH 2020



# Time to think big

**Any emergency package must be carefully targeted**

Across the world, governments have begun to prepare for the economic fallout of the disruption and lockdown that will come in the wake of the fight against COVID-19. In the United States, which has in recent days become the major source of concern because of the continued exponential growth of infections and a health care system with more holes than Europe's, the scale of the proposed package is extraordinary. The director of President Donald Trump's National Economic Council, Larry Kudlow, has said that "phase III" of the package, which is still under discussion, might exceed the original $1 trillion bill and approach $2 trillion — it may come in at 10 per cent of the US' gross domestic product, in fact.

Other countries have responded in varying ways. The European Central Bank has moved to support bank lending in the euro zone, including by loosening capital requirements and opening up its own long-term lending to banks. Various individual European governments have also stepped in; Germany, where Chancellor Angela Merkel has gone into self-quarantine after being exposed to coronavirus through her doctor, has authorised its main state-controlled bank to lend more than $600 billion to companies. A package just over half that size for small businesses is being planned in France. Other countries have seen success with a more modest but targeted approach. South Korea's has received special attention, in that it costs under $10 billion but is aimed at the most vulnerable: Small businesses, and workers laid off.

India has moved late, in spite of the fact that the likely fallout of coronavirus was plainly obvious weeks ago. Nor is it thinking big enough, given the scale of the economic damage that needs to be tackled, primarily to address household and corporate cash flow disruption. Former finance minister P Chidambaram has suggested a ₹5 trillion package, which is about 2.5 per cent of GDP. The package, of course, has to be carefully designed in such a way that it does not turn into subsidies for those who do not need them as much — which appears to be the error that the US is making, and why its large stimulus is having trouble passing through Congress. India, which has had the demonetisation experience to show what the most vulnerable sections of the economy are, must move to ensure that it is the informal sector, wage labourers, and so on who are not excluded from the design of any counter-cyclical package.

The government of China has not announced any huge fiscal stimulus of the sort it did in 2008, but has protected some formal businesses by getting banks to extend tenures of loans, and by managing the suspension of other required payments such as rents. The government must look into these mechanisms for protecting the formal sector, while ensuring that the informal sector and the vulnerable classes are the target for the majority of spending. The government not only needs to think big but its plan should be flexible as the nature and scale of intervention can change rapidly.

# COVID-19: Testing times

**India should make up for lost time in involving private labs**

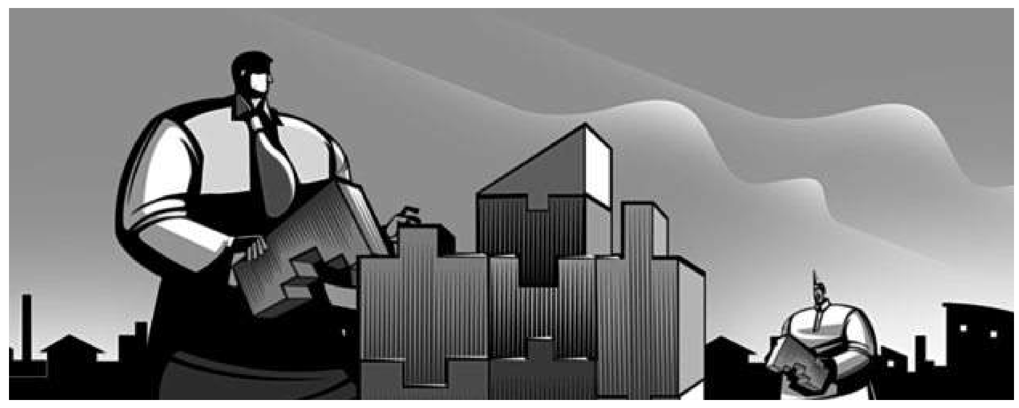
Rapid growth in the number of COVID-19 cases to more than 400 on Monday underlines the shortcomings of the Indian government and health establishment's response to the global pandemic. Nothing underlines this better than the under-resourced policy towards testing, which runs counter to what many countries are doing. For example, more than lockdowns, the key to South Korea's success has been a large, well-organised testing programme, combined with extensive efforts to isolate infected people and trace and quarantine their contacts. Also, unlike Singapore, which has been able to contain the disease via a liberal testing policy, India's policy of testing only individuals with symptoms and relying on chain-of-contact detection to quarantine others is proving to be ineffective. This limited response is also the result of the poor state of the public health system, where testing laboratories, restricted initially to 11 government institutes, have been rapidly overwhelmed. Since the private health system accounts for the bulk of India's healthcare delivery, it would have made sense to have co-opted it much earlier. Yet, the 50-odd private labs that sought permission to test had to jump through the hoops of red tape that infect the ease of doing business in India.

On Saturday, the government finally issued guidelines allowing private laboratories to test. These labs must have specific certification from the National Accreditation Board for Testing and Calibration Laboratories (NABL) to test for COVID-19, using US Food and Drug Administration or European standard tests. It has also capped the cost of the test at ₹4,500. The guidelines require a registration number from the Indian Council of Medical Research and coordination with its database. This involves transporting positive samples to the ICMR's National Institute of Virology (NIV). The government has also allowed all its national laboratories to carry out clinical testing of COVID-19 based on self-assessment.

This shift in policy is unlikely to counter the threat of India falling into Stage 3 — community transmission. First, it is unclear whether the 2,500-odd NABL-accredited labs have such testing capabilities. For example, in Maharashtra, which has recorded one of the highest outbreaks of the disease, only four private laboratories have the capabilities to conduct COVID-19 tests. Second, stipulating the use of specific imported kits, which are also expensive, is self-limiting. The government should be focusing in parallel on producing more testing kits in India. So far, the only initiative in this direction has come from the Indian Institute of Technology, Delhi, which says it has developed a method to detect COVID-19 at a significantly reduced cost. This kit is being validated at the NIV but the timeline from lab to critical-mass manufacture is unclear.

The bigger question is whether the government recognises the extreme urgency of the crisis at hand, as India, the world's second-most populous country, remains among the world's most under-tested countries. The problem lies in the approach. Where the World Health Organization is stressing "test, test, test", the health ministry stresses "isolation, isolation, isolation". Since it is now evident that there is a positive correlation between tests performed and cases confirmed, it is impossible to view with any complacency the low rate of the outbreak relative to its population (as opposed to, say, the US or Italy). It is time India made up for the lost time.

ILLUSTRATION: AJAY MOHANTY

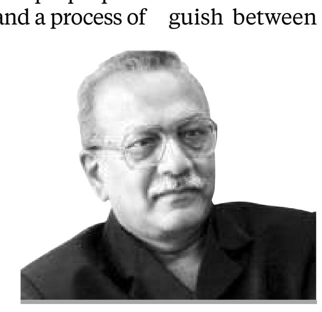


# Governance & politics

**Neither the Nehru-era approach nor the Chinese model is right for India. It needs to create room for the private sector**

Good governance requires good politics, something we are seriously short of now. Today, our political process is rife with hate speeches that divide communities, groups using violence to do precisely this, acrimonious relationships between political parties and sharp Centre-state differences. The measures the government is taking to address the problem of containing COVID-19 could help to bring the country together without distinction of caste, religion or region. But the evidence suggests that when the crisis is over, we will be back to square one in the snakes and ladders of politics.

Our politics is becoming dysfunctional in the sense that it is failing to achieve its principal purpose — the clear articulation of interests and a process of dialogue and decision-making that mediates between conflicts of interest and resolves them into a broadly accepted consensus. In a country like ours, which is very diverse, a political process that tries to privilege one community, one language or one region is profoundly dysfunctional.


NITIN DESAI

The contrast with China, a one-party dictatorship, may make this a little clearer. China has some minority issues with the Uighurs and the Tibetans. But 92 per cent of the Chinese population belongs to one ethnic group, the Han, who share a common language and culture.

Our country is profoundly different. It is diverse in terms of ethnic origin, language, religion and culture, and as of today much of the articulation of interest is by regional or caste-based parties. This makes Centre-state relations more complex because not just economic, but also cultural interests need to be harmonised. Unlike China, we are a democracy and the modulation of interests has to take place in public rather than in closed party conclaves. The way things are amongst our political parties this dysfunctional character of our politics is not going to disappear anytime soon, though the recent upsurge in spontaneous mass protests against divisive politics gives some grounds for hope.

Given this pessimistic perspective, India cannot follow the Nehru-era approach of an entrepreneurial State or the Chinese model of state-driven economic development. It will have to rely on a process of governance that limits the discretionary powers of the government and reduces its draft on private savings, leaving room for more vigorous private sector growth.

The most immediate problem of governance is the management of populism. Given the highly competitive nature of electoral politics, central and state governments will focus more and more public spending on the delivery of immediate benefits to voters at highly subsidised rates. Good governance requires that there should be a transparent process to distinguish between good and bad freebies. The first requirement is that the benefit delivery must be based on a planned process that identifies all the requirements in terms of resources and implementation mechanisms. Announcing bold targets for electoral gain and then trying to work out how it is to be done will lead to waste. The second requirement is a more careful analysis of alternative delivery mechanisms, perhaps on the lines popularised by the Nobel Prize winners Abhijit Banerjee and Esther Duflo. But the most important requirement is the strict enforcement of the rules about budgetary deficits. In fact, the time may have come for a ceiling on the borrowing requirements of the public sector, which at the moment absorbs virtually all private financial savings.

Subjecting populism to fiscal discipline is but a first step. Much of this populism has been financed by the sale of public assets and resource rights. We need a firewall between budgetary spending and the assets owned by the government in the form of land, revenue earning infrastructure, resource rights and commercial public enterprises. The proceeds from selling these assets should not be available directly for budgetary spending and should be used to stimulate private enterprise, which may make better use of these assets, and to reduce public debt.

The implicit assumption in this approach that the private sector will do a better job of delivering development then the public sector depends a lot on major changes in the interface between the government and the private sector and in the strengthening of competition within the private sector. This will require institutional reforms that are not electorally attractive and may be ignored by governments with a short-term electoral outlook. Yet without that our development prospects cannot be rescued from the political turmoil that is ahead of us. Perhaps an organisation like the Niti Aayog should take the lead in spelling out this agenda of institutional reform.

The reform is needed at both ends —the government and the corporate sector. The agenda at the government end is three-fold:

- Convert public sector commercial enterprises, particularly the financial institutions, into autonomous entities free of political interference and subject to the judgements of the capital market.
- Make allocations of government controlled land and other natural resources through a transparent process like an auction, for instance.
- Strengthen the laws that govern competition and regulation of natural monopolies and prohibit political involvement in individual cases.

The corporate sector in India still reflects the organisational inheritance of the old managing agency system. Business houses grow by horizontal diversification rather than by vertical integration of globalisation. Even a new post managing agency player has diversified from petrochemicals to telecommunications, retail trade and mass media. In this structure, corporate strategy reflects a group interest rather than the interest of the specific firm. Fortunately, such conglomerates are now being challenged by independent companies operating on a large scale in areas such as banking, information technology, pharmaceuticals, biotechnology, e-commerce and automobiles — all of them incidentally areas which have done well in the post-liberalisation era. That is what we need and the big question is how that can happen.

A part of the answer lies in strengthening company law provisions on cross holdings and other commercial arrangements between companies within the conglomerates. Another part of the answer lies in making hostile takeovers easier so that incumbent managements at company level recognise their responsibility to the shareholders rather than to the group promoters. But the biggest impact can come from large institutional shareholders who can enforce a degree of accountability on corporate management. Companies may continue to be run by promoted managers. That is not the problem. The real need is to liberate companies from the group interests of conglomerates.

Moving away from an entrepreneurial state does not mean that the government has no developmental role. In fact, it has to concentrate much more on the efficient provision of public services in education, health, pollution management and urban development. If someone who was a left-of-centre economist now argues against the state being a player in the market economy, it is because the government has lost the ability to take a long-term view, and short-term electoral considerations dominate its direct market activities.

*nitin-desai@hotmail.com*

# COVID-19: Where do we stand now?

While the world is grappling with the deadly coronavirus, there's a lot of discussion on the "curve" representing the projected number of people who will contract COVID-19 over a period of time. This bell-shaped curve is not about the true numbers, but only predictions. Depending on the infection rate, the curve might be steep, in which the virus spreads at a rapid rate, with the number of cases reaching its peak quickly. It usually experiences a steep fall thereafter.

There has been a widespread call for "flattening the curve". As we are seeing in Italy, rapid growth rate of the epidemic makes the hospital and basic medical facilities exhausted in no time, leaving scores of patients untreated. Flattening the curve thus slows the spread of the epidemic, and pulls the curve down — quite often by implementing "social distancing" aggressively.


ATANU BISWAS

A flatter curve will have the same number of people infected, but over a longer period. A slower infection rate would result in fewer patients being deprived of basic treatment. This gives the hospitals, health personnel, police, administration, and scientists engaged in finding vaccines more time to prepare and respond to the crisis. Spreading out the tidal wave of cases would certainly save many lives. Thus, understanding and managing the surge of the curve, and to pull it down successfully is an important part of the battle against an epidemic.

A classic example of its effectiveness can be traced in the history of the century-old Spanish flu pandemic (1918), which infected 500 million people worldwide. The US city of Philadelphia ignored the warnings of experts, and about 16,000 died in the city in six months. In contrast, another US city, St. Louis, could successfully flatten the curve by quickly implementing social isolation strategies, and it experienced 2,000 deaths.

An important indicator of an epidemic is the reproduction number (R), which indicates how many people an infected person further sickens on an average. If R is above 1, infections grow exponentially into an epidemic. If it's below 1, they die down. And hence the idea is to reduce R as much as possible. A fancy term, "The Hammer and the Dance", has been popularised by Silicon Valley marketing-leader Tomas Pueyo. Pueyo argued that strong measures like "hammer" should be adopted initially to take "R as close to zero, as fast as possible, to quench the epidemic." In Wuhan, R went down to 0.32 from 3.9 due to the lockdown. The dance stage, subsequently, resembles small ripples, and Pueyo argued that "once you move into the dance, you ...just need your R to stay below 1".

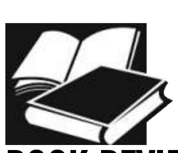
Let's look at the case data of COVID-19 in different countries. The curve of cumulative number of cases resembles a prolonged "S". The increments per day are small initially, and it grows rapidly thereafter. The trajectory of the curve determines how the numbers grow. The "rate of increase" is the daily new cases. The epidemic maintains a bull-run as long as the number of new cases in a day minus the number of new cases the previous day remains grossly positive. When this changes sign, that's an inflexion point, and usually that should roughly correspond to the mid-point of the epidemic. The cumulative curve will increase thereafter at a slower rate, and it will eventually become horizontal. In real life, however, the curves may not be so well-behaved.

China has now reportedly controlled its COVID-19 epidemic. A study on the daily data from January 22 to March 22 shows that South Korea, mostly due to its aggressive social-distancing and testing, too has shown remarkable success in controlling the virus. South Korea reached the inflexion point of the epidemic on March 3-4, with nearly 5,500 total cases. Korea is now at the end-phase of this epidemic with a total number of 8,897 cases as of March 22. And the country may eventually be able to restrict the epidemic within another 2,500-3,000 cases. Japan, with 1,086 cases as of March 22, seems to have almost reached near the inflexion point, unless it loses its grip over the situation. The curve for Singapore, however, showed a mild sign of inflexion around February 19, with only 84 cases, but has surged since March 5, rising sharply during the last few days, and it's nowhere close to the mid-point yet. The sorry state of Italy continues with nearly 60,000 cases so far, as its curve is sharply increasing with no sign of inflexion point anytime soon. The cumulative curves for Spain, France, and the US are also steeply increasing at the moment with no clarity on inflexion points.

India's situation, like that of Russia at the moment, is similar — we haven't missed the bus yet, for sure; but we're nowhere close to the inflexion point yet. Although many experts have predicted a different eventual number of cases for India assuming different kinds of models, I think that the correct model for India is impossible to predict — for the simple reason that we're in the early stage of the curve, and we don't have enough data yet to estimate the future. The slope of the curve is quite steep during the last six days or so. Hopefully, aggressive social distancing by imposing curfew and lockdown in different parts of the country will help, and we'll be able to see the mid-point soon.

*The writer is a professor of statistics at the Indian Statistical Institute, Kolkata*

# Fruitful history



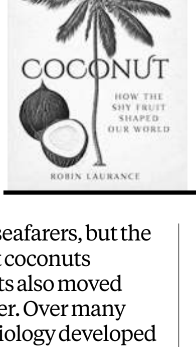
**BOOK REVIEW**

KUNAL BOSE

Robin Laurance describes coconut in the subtitle of his book on the subject as the shy fruit. But this is one fruit, containing clean sweet water for drinking and a soft kernel for healthy eating, that sustained seafaring explorers in their voyages of discovery of unknown lands and trade through centuries. In the late 13th century, the Venetian merchant, explorer and writer Marco Polo spotted coconuts in India. So enamoured was he of the fruit that would quench thirst and also offer tender kernel to whet the appetite that he described it as "Pharaoh's Nut" containing both "meat and drink".

Not only did Portuguese explorer Vasco da Gama see clusters of coconuts hanging from palm trees on the west coast of India and the east coast of Africa, but the fruit that he introduced in the Cape Verde archipelago in the Atlantic Ocean flourishes till today. Mr Laurance writes that the coconut palm tree can prosper in sandy soil backed by daytime temperature above 25 degree centigrade, high humidity, plenty of rain and sunlight. In many places across the globe where these conditions prevail, farmers are drawn to palm tree-growing for economic considerations. An extra incentive for growers is that a five-year old tree will start producing fruit.

Good words from early explorers about the fruit staying in shape over long periods and in rough environment led sailors and merchants to make it a point to keep good quantities of coconuts in the holds and decks of ships. In times when the sea would turn rough making voyages to destinations extra long, seafarers would find salvation in the fruit. Mr Laurance has done well to recount that what finally triggered the mutiny on the Royal Naval vessel *HMS Bounty* was Captain William Bligh taking strong exception to the crew stealing coconuts, including the ones he kept for himself.




**COCONUT: How The Shy Fruit Shaped Our World**
**Author:** Robin Laurance
**Publisher:** Niyogi Books
**Price:** ₹450

Not only did the inter-continental journey of the fruit and its subsequent plantation in new places with favourable climate occur courtesy seafarers, but the extraordinarily resilient coconuts carried by ocean currents also moved from one place to another. Over many centuries before plant biology developed into a branch of science, the history of the coconut became interwoven with adventures of mariners and independent journeys of the fruit without human intervention. The basic assumption then was because it was schlepped by merchants of yore and movement of the ocean currents, biologists had doubts about finding a geographical structure to coconut genetics. But to the surprise of plant evolutionary biologist Kenneth M Olsen, who put a large number of coconuts grown in different parts of the world to DNA test, he found two very distinctive coconut kinds. Originally, the fruit was brought under cultivation in the Pacific and Indian Ocean basins. What is particularly interesting is that prehistoric trade routes remain preserved in coconut genetics. Mr Laurance says "coconuts have been around longer than homo sapiens." While where exactly on earth the first coconut palm tree germinated remains a subject of conjecture, he tells us: "The oldest coconut fossils, found in Gujarat... date back to the Eocene period some 37 million years ago."

From the early history of the shy fruit to how its derivative coconut oil, derived from milling of copra, proved to be the foundation for today's Anglo-Dutch global giant Lever Brothers and the US-based multinational Procter & Gamble. The worldwide reputation of Hershey's Mounds and Mars' Bounty bars filled with shredded coconut and encased in chocolate is one more example of the nut's contribution to business success. The book tells us scientists from 35 countries, including India involved in the International Thermonuclear Experimental Reactor project have found charcoal made from coconut shell "super-efficient in capturing the unwanted helium."

Discussion on the venerable nut will not be complete unless mention is made of coconut's role in religious ceremonies of the Hindus, Buddhists and Jains. Uses of coconut oil in Ayurvedic medicines date back to 3,500 years. There are no disagreements among experts about healing properties of coconut charcoal. But the health benefits claimed for coconut oil do not pass modern scientific scrutiny. The health-related claims for coconut oil lead Mr Laurance to say that if these were true then "everyone's maiden aunt would live arthritis-free to 100 without the slightest fear of contracting Alzheimer's".

Mr Laurance is disappointed that painters through ages have shown "surprisingly little enthusiasm" for palm tree or coconut. He doesn't forget to mention two notable exceptions to this lapse. One is Paul Gauguin's *Thatched Hut Under Palm Trees* and Frida Kahlo's *Weeping Coconuts*. Expectedly, in a whole long chapter "For God and Country," the author discusses coconut's role in the economy of Kerala and how religious belief has secured for the nut a permanent place in spiritual India. The legendary editor of *The Times* Sir Peter Stothard has described Laurance's work as "a bounty of a book." The book is about a fruit that over the centuries has become a global commodity. Mr Laurance's capacity to tell a good story with rich anecdotes makes the book refreshing.

Business Standard

NEW DELHI | TUESDAY, 24 MARCH 2020

# The Smart Investor

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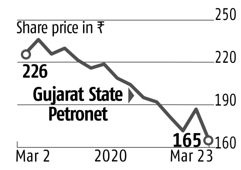
### QUICK TAKE: GSPL REMAINS BETTER PLACED




Though the Gujarat State Petronet (GSPL) stock has corrected by 30 per cent over the last month, its gas volumes have held steady so far. Triggers for the stock going ahead are volume demand from Gujarat Gas (parent), favourable regulations and attractive valuations

**"With no more margin money left, forced liquidation of long positions in illiquid market (with ETF selling on top) means we are right in the midst of a market crisis"**

ANAND RADHAKRISHNAN,
CIO, Franklin Templeton AMC

# ₹1-trn club shrinks by 40% in a month

## On Monday, India Inc's overall m-cap declined by ₹14.2 trillion to ₹102 trillion

DEEPAK KORGAONKAR & SAMIE MODAK
Mumbai, 23 March

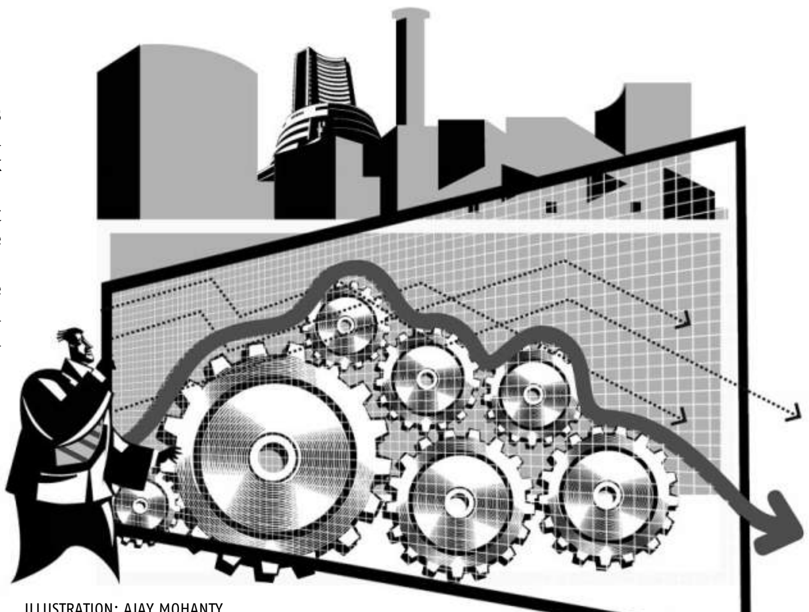


ILLUSTRATION: AJAY MOHANTY

The coveted club of companies with market capitalisation in excess of ₹1 trillion has shrunk drastically in the last one month. After Monday's sharp 13 per cent drop in the benchmark indices, there are only 18 listed firms in that club. On February 20 — just before the coronavirus-induced sell-off began — there were 30 companies with an m-cap of at least ₹1 trillion.

Several blue chips such as Axis Bank, Wipro, ONGC, Bajaj Finserv, and Titan have fallen off the list following unprecedented declines in their stocks. If the market continues to fall, the list could shrink further, with firms such as Larsen and Toubro (L&T) hanging on to ₹1 trillion in m-cap with the skin of their teeth.

On Monday, India Inc's overall m-cap declined by ₹14.2 trillion to ₹102 trillion. Down nearly ₹59 trillion from the peak, India's m-cap had stood at ₹161 trillion on January 17.

Needless to say, bulk of the erosion in terms of value took place in India's most-valued firms. For instance, Mukesh Ambani-led Reliance Industries alone has lost ₹3.8 trillion in m-cap, followed by HDFC Bank, which has seen its value erode by ₹2.45 trillion and Tata Consultancy Services (TCS), which has lost ₹1.85 trillion to stand at ₹6.24 trillion, making it India's most-valued.

At present, RIL has an m-cap of ₹5.6 trillion, making it the second-most valuable. Only in November 2019, RIL had become India's first company to touch ₹10 trillion in market value.

Axis Bank, which had an m-cap in excess of ₹2 trillion about a month ago, is presently valued at ₹87,000 crore. The private lender is the latest to move out of the club, following a 28 per cent crash in its share price.

A further 2 per cent drop in the market would lead to India's overall m-cap falling below ₹100 trillion. India had first crossed that mark in November 2016. Interestingly, it took India five years to move from ₹100 trillion to ₹160 trillion. However, the reversal has taken only two months. Given the velocity of the latest correction, many experts have termed the current turmoil in the market the 'worst ever'.

Experts believe the revival could be steep on account of the economic disruption caused by the pandemic.

"Indian markets are worst-hit as the rapidly spreading coronavirus pandemic has sent major states, including the country's capital, into a lockdown. There are increasing fears that the outbreak could bring world economies to a grinding halt. The OECD has warned that the world will take years to recover from the pandemic," says Deepak Jasani, head (retail research), HDFC Securities.

### WEALTH DESTRUCTION

A dozen companies have moved out of ₹-trillion club

| M-cap (In ₹ trn) | No. of companies Feb 20 | Mar 23 |
|---|---|---|
| 1 | 16 | 10 |
| 2 | 6 | 4 |
| 3 | 3 | 0 |
| 4 | 2 | 2 |
| 5 | 0 | 1 |
| 6 | 1 | 1 |
| 7 | 0 | 0 |
| 8 | 1 | 0 |
| 9 | 1 | 0 |
| Total | 30 | 18 |

Source: Capitaline; complied by BS Research Bureau

# Jhunjhunwala's portfolio hit 36%

## Ashish Kacholia, Dolly Khanna among other prominent names to take a hit

DEEPAK KORGAONKAR & PUNEET WADHWA
Mumbai/New Delhi, 23 March

The frontline indices Sensex and Nifty have plunged 37 per cent so far in CY20, triggered by the COVID-19 pandemic. The fall has wiped off nearly ₹54 trillion in market capitalisation of BSE-listed firms.

The net worth of Rakesh Jhunjhunwala (*pictured*) and family, Ashish Dhawan, Anil Kumar Goel and family, Ashish Ramchandra Kacholia, and Dolly Khanna has taken a massive hit. Rakesh Jhunjhunwala and family — the big bull of the equity markets — have lost ₹4,558 crore in CY20 so far, with the value of their investments slipping below ₹10,000 crore. Based on Monday's closing, the Jhunjhunwala family's total investments in listed firms stood at ₹8,021 crore, down 36 per cent from the ₹12,480 crore at December-end.

According to the latest shareholding figures, these investors have taken a sharp hit in their holdings in mid- and small-cap firms where they held an over one percentage point stake, on account of the correction. The mid-cap and small-cap indices have slipped 35 per cent during this period. For instance, Rakesh Jhunjhunwala and wife Rekha Jhunjhunwala have seen value erosion of ₹2,314 crore in their Titan stake, which stands at 6.69 per cent. The scrip has slipped 33 per cent to its 52-week low of ₹775.

NCC, Delta Corp, Karur Vysya Bank, Aptech, and Jubilant Life Sciences are among stocks in Jhunjhunwala's portfolio that have taken a severe hit, falling more than 50 per cent.

Anil Kumar Goel and Seema Goel, who hold stocks of sugar companies such as Dhampur Sugar Mills, Triveni Engineering and Industries, Dwarikesh Sugar Industries, and Uttam Sugars in their portfolio, have seen average value erosion of 54 per cent to ₹405 crore. On the other hand, investors such as Ashish Dhawan, Ashish Ramchandra Kacholia, and Dolly Khanna have seen their portfolio value dip between 44 per cent and 50 per cent in CY20.

"Majority of the negative outcomes from Covid-19 in at least the next two quarters are already discounted across global indices. However, any delay beyond that, or a substantial increase in infection, could result in more a negative outcome," wrote Chirag Shah and Dhavan Shah of ICICI Securities, in a note.

Meanwhile, valuations of the mid- and small-cap segments have dipped below the long-term averages. "After the correction, the current price-to-earnings (P/E) of the NSE Mid-cap Index is -33 per cent/-22 per cent, versus its 5/10-yr average. For Nifty, the same stands at -21 per cent/-15 per cent. On the other hand, the current P/E for our Mid-Cap coverage is -27 per cent/-1 per cent versus its 5/10-yr average," says Sonali Salgaonkar, an analyst with Jefferies.

### PORTFOLIO UNDER STRESS

In ₹

| Company | Stake (%) | Dec 31 | Mar 23 | Fall (%) |
|---|---|---|---|---|
| Delta Corp | 7.39 | 197.95 | 59.75 | -69.8 |
| NCC | 10.38 | 56.00 | 18.75 | -66.5 |
| VIP Industries | 5.11 | 432.15 | 208.75 | -51.7 |
| Geojit Financial Services | 7.57 | 28.00 | 15.95 | -43.0 |
| Agro Tech Foods | 7.41 | 626.00 | 368.30 | -41.2 |
| CRISIL | 5.48 | 1,910.25 | 1,160.40 | -39.3 |
| Titan Company | 6.69 | 1,187.60 | 798.05 | -32.8 |

Stock performance of Rakesh Jhunjhunwala & family; shareholding more than 5% at the end of December 2019 quarter; source: Capitaline Plus, BSE

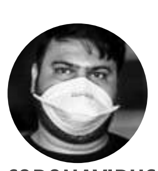
# Regulator relaxes norms for MFs, brokers

JASH KRIPLANI & SAMIE MODAK
Mumbai, 23 March

The Securities and Exchange Board of India (Sebi) has relaxed compliance requirements for mutual funds (MFs) and brokers, with daily operations being disrupted by the partial-to-complete lockdowns in various parts of the country.

The MF industry had recently sent a letter to Sebi, highlighting the challenges posed by the work-from-home advisories issued by the government, which would make it difficult for dealers to record calls for their orders and other control mechanisms that could be put in force in MFs' dealing rooms.

In a press note on Monday, the market regulator said: "The access control presently exercised in the asset management company's dealing room, including call recording of deals, is temporarily relaxed subject to checks and balances including electronic confirmation by way of email or other system having audit trail are in place."



CORONAVIRUS **PANDEMIC**

Sebi has also relaxed the margin threshold for 'risk reduction mode' for brokers from 85 per cent of capital to 90 per cent. To facilitate brokers working from home, Sebi has said the penal provisions for not maintaining call recordings of orders or instructions from clients stands relaxed till March 31.

Further, the implementation of penal provision for non-collection of margins by brokers has been deferred by a month to April 30.

Sebi gas also acceded to demands made by ₹27-trillion MF industry pertaining to regulatory norms on debt schemes, as panic-selling due to Coronavirus has squeezed liquidity in domestic bond markets.

By April 1, liquid funds were required to completely switch to mark-to-market valuation of debt securities, which would have led to higher volatility in returns of liquid schemes. However, Sebi on Monday gave extension to the industry till May 1.

Further, from April 1, liquid funds were required to hold at least 20 per cent of their investments in liquid assets, such as cash, government securities, treasury bills, and repo on government securities. The regulator has given an extension till May 1, for this as well.

The industry had sought more time to meet the revised sectoral exposure limits in debt schemes (announced after the NBFC crisis), and cutting exposure to unlisted non-convertible debentures (NCDs). The timeline for former norms has been extended to May 1 and timeline for reducing scheme-level exposure to unlisted NCDs extended till April 30.

Now, MFs may reduce the scheme-level exposure to unlisted NCDs by 15 per cent till April, and take more time to reduce exposure to 10 per cent, as stated in the original Sebi circular.

The regulator has also extended the validity of Sebi's observation letters for new fund offers by six months. "Thereby, MFs can launch schemes within a period of one year from date of Sebi letter."

The Sebi release also hints that authorities intend to keep the markets open despite demands to keep it closed to prevent it from falling.

"Government of India, has requested the state governments/UTs to keep the services of stock market entities exempted from the purview of lock-down and to permit the essential staff of the stock market participant to commute so as to ensure that the Sebi regulated stock market entities function smoothly," the Sebi release read.

The regulator also gave one month's relaxation to MFs to make certain disclosures pertaining to commission payouts, half-year unaudited financial results, and disclosure of investor complaints for the year.

Among other challenges, the MF industry was anticipating delays in publishing daily net asset values (NAVs), or in dispatching physical cheques for redemption and dividend payments.

### MAKING EXCEPTIONS

- Dealing room compliances for brokers, MFs eased
- Liquid funds can adhere to mark-to-market by May 1
- Lack of liquidity had made re-balancing debt portfolio challenging
- Timelines for meeting revised sectoral limits extended
- Penal provision on brokers for margin collection deferred

## MFs write to RBI for liquidity support

The mutual fund (MF) industry has written to the Reserve Bank of India (RBI) seeking liquidity support as they fear redemption pressures to increase for the ₹5-trillion liquid scheme category, with corporate investors pulling out funds to meet debt-related obligations amid the coronavirus pandemic.

According to sources, MFs have asked the RBI to increase the line of credit to ₹1 trillion through a repo window for corporate bond and commercial papers. The RBI has been asked to extend the liquidity support as was done during the crisis in 2008 and 2013.

PTI

# Compliance norms eased for listed firms

PRESS TRUST OF INDIA
New Delhi, 23 March

Days after easing compliance norms for listed entities with regard to submission of fourth quarter and annual earnings, markets regulator Securities and Exchange Board of India (Sebi) on Monday further extended the relaxation to listed entities that have listed their debt securities such as non-convertible debentures and commercial papers.

In a circular, Sebi said it has decided to grant relaxation to listed entities that have listed their non-convertible debentures (NCDs), non-convertible redeemable preference shares (NCRPS) and commercial papers (CPs), as well as municipal debt securities, from certain compliance.

The regulator has extended the deadline by 45 days till June 30 for submitting half-yearly financial results for NCDs, NCRPS and CPs, while it has given a time period of another 30 days till June 30, for filing annual earnings.

The decision has been taken in the wake of the coronavirus pandemic, which has resulted in many restrictions, including free movement of people, thereby hampering businesses and day-to-day functioning of the companies.

Finance Minister Nirmala Sitharaman also tweeted about Sebi's move to ease the compliance requirement for listed companies.

"In an ongoing exercise to ease the compliance burden during the coronavirus outbreak, @SEBI_India has decided to relax some compliance provisions with regard to listed entities that have listed their NCDs, NCRPS, CPs and municipal debt securities," the finance minister said in a tweet.

Besides, the regulator has given a relaxation of 60 days till May 31 for companies planing to list their debt securities.

Under the norms, issuer has to submit its latest audited financials, which should not be older than six months. However, allowed to file unaudited financial with limited review for the sub period in the current financial year.

Further, the regulator has extended the deadline by 60 days and 45 days till June 30 for initial and final disclosures, respectively.

With regard to issuer of municipal bonds, Sebi has granted an extension of 30 days till June 30 for filing financial results and 45 days for each for submitting half-yearly investor grievance report and quarterly report on accounts maintained by issuer.

### THE COMPASS

# Heavy on SME loans, COVID-19 may worsen Axis Bank's asset quality

## SME slippages in FY20 just shy of FY19's ₹11,200cr

HAMSINI KARTHIK

### SME SLIPPAGES

| | FY19 | FY20 |
|---|---|---|
| Q1 | 3,550 | 4,140 |
| Q2 | 3,390 | 4,680 |
| Q3 | 2,370 | 2,200 |
| Q4 | 1,890 | * |
| Total | 11,200 | 11,020 |

*Results awaited;
Source: Morgan Stanley

Even when Axis Bank posted a few quarters of losses in the past years, its stock price didn't come crashing as it did on Monday.

As early as March, there was optimism that things would turn around. But, as the country embraces lockdown to fight COVID-19, it sent the Axis Bank stock down to levels last seen in 2014. Monday's 28 per cent price fall is the sharpest ever seen by the stock; it is also the biggest among S&P BSE Bankex components.

With 11 per cent of its loan book exposed to small and medium enterprises (SMEs), a lockdown ensures trade and commerce are brought to a standstill. This could impact the bank's balance sheet in more ways than one.

While a lockdown may be the most efficient way of containing the pandemic, it comes at a quarter most critical to SME and SME lenders. "For banks, the March quarter (fourth quarter, or Q4) is typically the best in terms of SME loan growth. Hence, asset quality tends to be better than other quarters," said an analyst tracking the financial services space.

While growth has been somewhat muted in the SME segment for most of the financial year (mirroring the country's economic activity), a weak Q4 could further weigh on this parameter and cast doubts on the asset quality ability of the portfolio to hold up. Axis Bank was among the first to turn cautious on SME loans. Accordingly, the lender has moderated its run rate in that segment since the June 2019 quarter. Yet, SME slippages in 2019-20 at ₹11,020 crore are a little shy of 2018-19's ₹11,200 crore.

In a call with analysts, the bank also clarified that the overall COVID-19 impact of 30-45 days is already incorporated in the stress scenario and it won't lead to significant impact on asset quality.

However, analysts remain cautious on the Axis Bank stock. "NPAs in this segment (SME) have already been running at sub-12 per cent (for the system) and we expect them to rise further from the current levels. Among our coverage universe, Axis Bank and public sector banks have a larger exposure to the SME space," says Suresh Ganapathy of Macquarie Capital. Given the lockdown and expected growth deceleration in economic activity, there could be added stress in other loan segments too.

Waning 'buy' recommendations, according to analysts polled on *Bloomberg* — down from 45 'buy' calls in September 2019 to 37 as on date — are also an indicator of how the Street is turning cautious on the stock. Therefore, even if valuations of 1.4x its 2020-21 estimated book seem attractive, it's important that investors don't get caught on the wrong foot.

### SME EXPOSURE: AXIS VS OTHERS

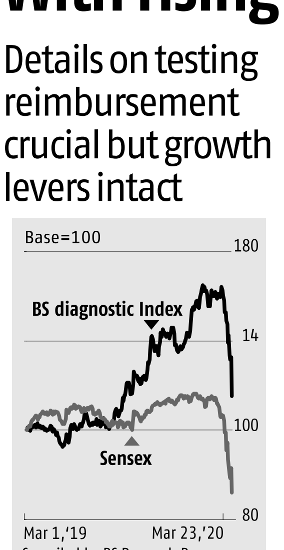
| | SME loans as % of Loans | Net worth |
|---|---|---|
| Axis Bank | 11 | 72 |
| HDFC Bank | 7 | 39 |
| ICICI Bank | 4 | 22 |
| IndusInd Bank | 6 | 34 |

Source: Macquarie Capital

# With rising focus on testing, diagnostic companies could be safety nets

## Details on testing reimbursement crucial but growth levers intact

UJJVAL JAUHARI




Compiled by BS Research Bureau

Pathology labs remain in focus, with the government reaching out to private players for COVID-19 testing. On Sunday, two of them — Thyrocare and Metropolis Healthcare — got the final government clearance to start testing patients for COVID-19.

Among firms in the organised space, the top diagnostic chains (SRL Diagnostics, Dr Lal PathLabs, Metropolis Healthcare, Thyrocare, and Apollo Hospitals) together have more than 100 accredited labs. This indicates they will be able to quickly on-stream their labs to start testing, say analysts.

However, challenges such as bureaucracy, availability of skilled manpower, logistical infrastructure, and reimbursement for private players need to be addressed before the rollout to ensure efficiency, say analysts at CLSA. Therefore, developments will be watched and impact on earnings can be ascertained on upon clarity, particularly regarding reimbursements.

Thyrocare told *Business Standard* that the cost of testing is ₹2,500, besides a collection charge of ₹1,000 and cost of protective equipment of close to ₹1,000 (total ₹4,500). The charge would be only ₹2,500 if samples come directly to the labs.

Even as the opportunity provided by the outbreak is a positive, medium-term prospects of diagnostic labs are already firm, led by rising preventive healthcare awareness and increasing inclusion in health insurance.

The stocks have corrected significantly amid the correction. While further correction has not been ruled out, health care stocks are being looked as defensive bets, say analysts.

Players as Metropolis and Dr Lal PathLabs have continued expanding through organic and inorganic routes. Metropolis has acquired four laboratories in Surat, consolidating its leadership in western India. Dr Lal PathLabs has, meanwhile, acquired majority stake in a referral pathology in Gujarat to expand its presence in the west. Analysts at Anand Rathi Research say the next leg of growth for Dr Lal's is expected to come in western and southern India, as the management focuses on growth via acquisitions.

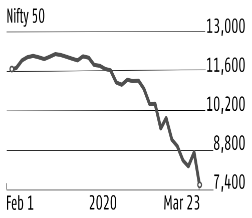
Top firms continue to see robust volume growth. While Metropolis had recorded a 17.5 per cent year-on-year (YoY) jump in the number of tests during the December quarter (Q3FY20), revenue per patient improved to ₹923, from ₹898 in Q3FY19.

Dr Lal, too, had seen volumes improve 11.5 per cent YoY while per-patient realisation was up marginally to ₹688 from ₹683 a year ago.

Thyrocare, which had earlier concentrated on market share gains, is now seeing margin expansion. Price hikes and the franchisee push in its wellness business had helped margins expand 300 bps to 40 per cent (pre-Ind AS) during Q3FY20, and the management expects to maintain 40 per cent-plus margins.

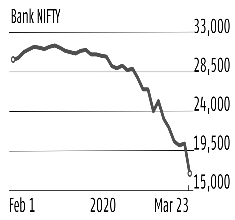
Overall, following the correction, the stocks mentioned above are trading at reasonable valuations.

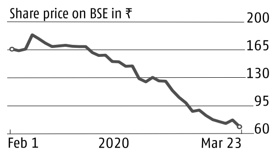
## TODAY'S PICKS




**Nifty**
Current: **7610 (Fut 7,580)**
Target: **NA**
Stop long positions at 7,450. Stop short positions at 7,750. Big moves could go till 8,000, 7250. Be prepared for extreme volatility. A long 7,900c (200), short 8,000c (160) could gain 60 if there's one short-covering session that pushes the index above 8,000 by settlement.

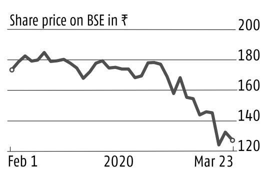
**Bank Nifty**
Current **17,018 (fut: 16,960)**
Target: **NA**
Stop long positions at 16,775. Stop short positions at 17,200. Big moves could go till 17,500, 16,500. Be prepared for extreme volatility. Short-covering could pull the index up till 18,000. A long 17500c (710), short 18,000c (480) could have a payoff of 270 for a cost of 230.

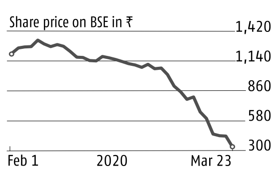



**Tata Motors**
Current price: **₹66**
Target price: **₹60**
Keep a stop at 69 and go short. Add to the position between 61–62. Book profits at 60.

**Coal India**
Current price: **₹128**
Target price: **₹120**
Keep a stop at 132 and go short. Add to the position between 121–122. Book profits at 120.




**IndusInd Bank**
Current price: **₹336**
Target price: **₹350**
Keep a stop at 330 and go long. Add to the position between 345–348. Book profits at 350.

DEVANGSHU DATTA

*Target prices, projected movements in terms of next session, unless otherwise stated*

# Double trouble for auto sector

## Supply-side disruption adds to demand woes

RAM PRASAD SAHU
Mumbai, 23 March

The auto sector, which has been grappling with multiple challenges over the past year, is headed for tougher times due to the COVID-19 outbreak. Auto makers and suppliers, struggling with muted demand, have shut production facilities both in India and overseas.

Supply-side disruption led to a 13.8 per cent fall in the NSE Auto Index on Monday. The sector has shed over 37 per cent over the past month, as the virus threat compounded the sector's transition from BS-IV to BS-VI, resulting in higher product prices and subdued demand.

The impact in FY20 will be felt the most in the last two weeks, given that footfalls have dropped drastically, with dealers forced to close down showrooms, and the planned transition from BS-IV to BS-VI not happening as smoothly as planned.

The two-wheeler segment has been the worst-hit, with inventory to the tune of 15 days. Given the curfew-like conditions, it is unlikely to be consumed before the deadline of March 31. The impact of COVID-19, however, will be felt more in FY21, says CRISIL Research.

Hetal Gandhi, director at CRISIL Research, said: "On the supply side, auto makers are not expected to restart production till authorities relax the lockdown measures. On the demand side, the duration and the extent of spread will determine the income loss, and thus will have a bearing on the retail buying sentiment. Despite a low base, expect the first half of FY21 to be subdued."

Analysts believe demand is unlikely to revive even after the impact of the outbreak ceases, given that the higher cost of acquisition on BS-VI rollout would dent demand. Two-wheelers and truck makers will be the worst hit from the sharp rise in costs.

Volume expectations and earnings estimates have been revised downwards.

Shruti Saboo, associate director of India Ratings and Research, had projected industry volumes to drop 12-15 per cent in FY20. She expects the impact of the virus to dent volumes by a further 2-5 per cent.

Volumes, according to the rating agency, are likely to drop in FY21 due to weak consumer sentiment and low industrial production, leading to reduced transit of goods. Dolat Research has cut earnings estimates by 5-20 per cent for FY22 on account of weak domestic demand, rising uncertainty and slowdown in exports.

While revenues are expected to be lower in the coming quarters, falling capacity utilisation, partial absorption of the BS-VI price hike, and impairment of the leftover BS-IV inventory are expected to hit margins. The sharp fall in commodity costs, on account of the global demand crash, is the only positive for companies.

The only demand trigger is the expectation that the rural segment will do better, given a robust Rabi crop. The lockdown is currently enforced in urban areas, with higher population density than semi-urban and rural areas.

CRISIL Research expects profit per hectare of the current Rabi crop to be higher by 8 per cent year-on-year. This, coupled with the fact that prices of horticulture crops have also risen over the year-ago period, should help in outperformance of the rural market.The rating agency, however, cautions that the acreage for the upcoming Kharif crop, and harvesting of the Rabi crop will be affected if the virus spread intensifies.

The only solace for investors are valuations, which, given the already low expectations, are looking attractive. Aditya Makharia of HDFC Securities said: "After the recent bout of correction, valuations for the sector are at their lowest since the credit crisis in 2008 and in the case of certain stocks, have fallen below the 2008-levels."

He also highlighted that barring a few names such as Tata Motors and Motherson Sumi, balance sheets of most auto makers are deleveraged.

While valuations are attractive and demand is expected to bounce back, analysts say it is difficult to predict a bottom. In addition to an early withdrawal of the outbreak, what could help is a stimulus package to boost overall consumption, and a scrappage policy.

### STEEP FALL

| | CMP (₹) | Change (in %) 1-day | Since Jan 1 |
|---|---|---|---|
| Tata Motors | 66.2 | -14.4 | -64.2 |
| Ashok Leyland | 36.1 | -18.0 | -55.8 |
| Mahindra & Mahindra | 293.4 | -9.1 | -44.8 |
| Maruti Suzuki | 4,220.4 | -16.9 | -42.7 |
| Bajaj Auto | 1,935.6 | -13.7 | -39.2 |
| Eicher | 13,705.9 | -12.6 | -39.1 |
| Hero MotoCorp | 1,616.0 | -11.0 | -33.9 |
| TVS Motor | 331.4 | -12.8 | -29.3 |
| **NSE Nifty Auto Index** | **4,626.5** | **-13.8** | **-43.9** |
| **NSE Nifty** | **7,610.3** | **-13.0** | **-37.5** |

CMP: Current market price; P/E: Price to earnings; EV: Enterprise value; compiled by *BS* Research Bureau
Source: Bloomberg, exchanges

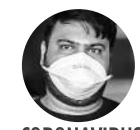
# Exchanges activate disaster recovery sites

SHRIMI CHOUDHARY & RAJESH BHAYANI
New Delhi/Mumbai, 23 March

Stock exchanges have activated their disaster recovery sites because of the disruption caused by the coronavirus pandemic.

The move is in line with the Securities and Exchange Board of India's (Sebi's) guidelines on business continuity plan (BCP) and disaster recovery (DR) for market infrastructure institutions (MIIs), which includes stock exchanges, clearing corporations, and depositories. The objective is to ensure the exchange's preparedness in the event of a natural calamity, so that any disruptions should not affect market integrity and investor confidence.

According to a regulatory source, stock exchanges have put in place adequate mechanisms to ensure that operations are not hampered. The governments, both the Centre and state, as well as the regulators have been working overtime to ensure coordination across the department, which are inter-linked with each other, the source said.



CORONAVIRUS
**PANDEMIC**

Under Sebi's framework, exchanges asked employees to work from different locations to ensure business continuity in case the situation aggravates at the Mumbai headquarters.

"An internal group of Sebi has reviewed all exchange infrastructure companies' business continuity plans and submitted the report to the regulator," said an exchange official.

The NSE, BSE, and Multi Commodity Exchange (MCX) conducted recovery drills from its DR sites earlier this month.

NSE had completed live trading and other operations from the DR site on March 2 and March 3. The entire technology and business operations were executed from the DR site, which is located in another city and is a replica of the main production site in Mumbai," NSE said.

The BSE had last week activated the business continuity process facility in Belapur, outside of Mumbai. A senior exchange official said that around 100 people are now working from there to ensure smooth functioning of exchange business and all systems and servers are accessed from there to oversee all functions. The BSE's disaster recovery site is running according to the regulatory requirement from Hyderabad, which is fully linked with Mumbai's main server (having a replica network of Mumbai) and can be activated immediately, officials said. The BSE is currently working with 60 per cent staff in Mumbai, while the rest of them are connected through a virtual private network.

The MCX, too, has its disaster recovery site at GIFT City, Gandhinagar. About 50 personnel capable of running the exchange network have been stationed there. The MCX began implementing business continuity plans since March 6, and now 80 per cent staff has been asked to work from home, except those working in critical departments.

# Small savings will continue to remain attractive

## In the current environment of uncertainty, opting for them makes sense

SANJAY KUMAR SINGH

Interest rates on small savings schemes may be reduced from the April-June quarter. News reports suggest the government is contemplating this step to facilitate faster transmission of interest rates, thereby assisting an economy that is rapidly approaching stall speed in the wake of lockdowns triggered by the COVID-19 pandemic.

Experts are of the view that a cut in small savings rates has become inevitable. "Thirty-eight central banks have already cut rates, 11 of them twice. The Reserve Bank of India will also follow suit. We are likely to be in a low-rate regime for some time, so small savings rates are also bound to come down," says Ankur Maheshwari, chief executive officer, Equirus Wealth Management.

While banks have been cutting fixed deposit (FD) rates, small savings rates have not been revised for some time, and that has created an abnormal differential between them.

Investors still have the opportunity to lock into the prevailing rates of several small savings schemes. "In case of Public Provident Fund (PPF) and Sukanya Samriddhi Yojana (SSY), the interest rate changes for existing investors as soon as a rate change is announced. In the other small savings instruments, it remains unchanged for the entire tenure," says Deepesh Raghaw, founder, PersonalFinancePlan, a Securities and Exchange Board of India-registered investment advisor. Make use of the window of opportunity still available.

YOUR
MONEY

Many small savings schemes will remain attractive, compared to other fixed-income instruments, even after a cut. "Instruments targeted at specific groups, like Senior Citizens Savings Scheme, meant to generate a regular income for retirees; SSY targeted at people with a girl child aged below 10; and PPF, which comes with a 15-year tenure and is meant for long-term savers, will remain attractive," says Arnav Pandya, a Mumbai-based certified financial planner.

PPF and SSY can have a place in the debt portion of long-term portfolios. In the current environment of high uncertainty, small savings schemes will remain attractive due to their sovereign backing.

Once the rate cuts happen, compare the post-tax return on small saving schemes with other fixed-income instruments before making a choice. Pay heed to your liquidity needs as many instruments that offer high rates and attractive tax benefits come with a lock-in.

When interest rates are falling, investors in the higher tax brackets are generally advised to try out debt mutual funds. Currently, experts are still making this suggestion, but with caveats. "If the lockdown continues, many companies' debt papers could be downgraded. In a worst-case scenario, there could be a wave of defaults. Debt funds have turned riskier than they were a couple of months ago," says Pandya. Interest rates may decline, but avoid taking duration risk also at this point as turns in the rate cycle are difficult to predict.

"Retail investors should have 80-85 per cent of their investment in debt funds with 'AAA' credit quality and duration below two and a half years," says Maheshwari. Avoid credit risk funds completely. Only investors with high risk tolerance should hold them, and in limited quantities.

The 7.75 per cent Government of India bond remains attractive. A sovereign-backed instrument, it is completely free of credit risk. Tax-free bonds from REC and National Highways Authority of India (NHAI) available in the secondary markets are another option. "The yield-to-maturity on them is usually at least 100 basis points higher than the returns on bank FDs," says Pandya. Only savvy investors, or those with an investment advisor, should go for them. "REC or NHAI will have a number of bonds with different maturities. Liquidity tends to be low, yields tend to fluctuate, and there is a brokerage charge. Remember these points and buy only if you get a good deal," says Raghaw.

### OPTIONS YOU MAY CONSIDER

| Instrument | Rate of return (%) | Taxation |
|---|---|---|
| **Senior Citizens Savings Scheme** | 8.6 | Section 80 benefit, interest taxable |
| **Sukanya Samriddhi Yojana** | 8.4 | Section 80 benefit, tax-free at maturity |
| **Public Provident Fund** | 7.9 | Section 80 benefit, tax-free at maturity |

*3-year category average
Source: indiapost.gov.in, mutualfundindia.com

# COMMODITIES

## PRICE CARD

| As on March 23 | International Price | %Chg# | Domestic Price | %Chg# |
|---|---|---|---|---|
| **METALS ($/tonne)** | | | | |
| Aluminium | 1,580.5 | -10.8 | 1,835.1 | -5.3 |
| Copper | 4,855.0 | -21.1 | 5,413.6 | -15.9 |
| Nickel | 11,370.0 | -21.0 | 11,731.6 | -21.9 |
| Lead | 1,673.5 | -12.2 | 1,808.9 | -18.5 |
| Tin | 14,500.0 | -16.5 | 14,549.7 | -19.1 |
| Zinc | 1,880.0 | -18.5 | 1,966.2 | -24.3 |
| Gold ($/ounce) | 1,525.4* | 2.7 | 1,653.5 | -0.7 |
| Silver ($/ounce) | 12.9* | -26.1 | 15.0 | -23.6 |
| **ENERGY** | | | | |
| Crude Oil ($/bbl) | 25.4* | -61.7 | 28.2 | -57.7 |
| Natural Gas ($/mmBtu) | 1.6* | -27.1 | 1.6 | -30.2 |
| **AGRI COMMODITIES ($/tonne)** | | | | |
| Wheat | 182.2 | -3.5 | 262.2 | -13.8 |
| Maize | 182.4* | 1.9 | 200.0 | -33.1 |
| Sugar | 341.1* | -4.6 | 451.7 | -6.6 |
| Palm oil | 552.5 | -23.5 | 937.2 | -17.1 |
| Rubber | 1,241.0* | -22.1 | 1,664.7 | -9.5 |
| Coffee Robusta | 1,218.0* | -6.0 | 1,763.0 | -5.6 |
| Cotton | 1,123.0 | -25.8 | 1,257.6 | -20.5 |

* As on Mar 23, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 76.3 & 1 Ounce = 31.1032316 grams.

**Notes:**
1) International metals, Indian basket crude, Malaysia Palm oil, Wheat LIFFE and Coffee Karnataka robusta pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and Domestic Crude oil is Indian basket.
4) International Natural gas is Nymex near month future & domestic natural gas is MCX near month futures.
5) International Wheat, White sugar & Coffee Robusta are LIFFE future prices of near month contract.
6) International Maize is MATIF near month future, Rubber is Tokyo-TOCOM near month future and Palm oil is Malaysia FOB spot price.
7) Domestic Wheat & Maize are NCDEX future prices of near month contract, Palm oil & Rubber are NCDEX spot prices.
8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.
9) International cotton is Cotton no. 2-NYBOT near month future & domestic cotton is MCX Future prices near month futures.

Source: Bloomberg Compiled by BS Research Bureau

# Essential goods market faces labour shortage

RAJESH BHAYANI
Mumbai, 23 March

Essential commodity markets are facing the challenge of labour availability and transport. If such disruptions continue, availability would be an issue, say market leaders.

In Mumbai, daily grain offtake had recently doubled to 100,000 bags of 30 kg each a day. Now, after the lockdown implemented across states, transporters say after they've brought grain from the producing centres, how are they to prove when the vehicle returns that it was used for only essential commodity delivery?

Also, many complain of non-availability of drivers. The wholesale market at Navi Mumbai is closed till Tuesday and could also be shut on Wednesday, as workers have left for their home towns or villages. "Availability of workers is a big problem. We asked the government to provide enough sanitizers, masks, etc, for worker safety, to call them back. There has been no reply," complained Nilesh Veera, director of the APMC (wholesale centre).

A representative at the market said there was enough stock for lifting but the problem was a lack of workers, as also multiple roadside vegetable vendors being unable to lift the normal consignments in this situation.

Pulses are in demand, with the shift away from poultry products. However, several pulses' processing units are having similar problems. In some, workers are not coming or transporters aren't taking goods. Import in line with government-okayed quotas have arrived at the ports but and are not getting Customs clearance.

Bimal Kothari, vice-chairman, India Pulses and Grains Association, said: "I assume today being the first day of lockdown, these trade issues are much smaller, looking at the gravity of coronavirus. We hope things settle in the next few days."

Flour mills are operating at full strength but, said the head of one of these, one of the largest selling companies in the segment is not able to get the needed supply of packing material. The problem here is that the authorities are not agreeing that packing material needed for essential commodities should also be treated as one of the latter.

Then, there is edible oil, where three-fourth of the country's need is imported annually. A falling rupee has made the commodity costlier in recent weeks; demand has also reduced, either because of price issue or disruption in supplies. Crushing and refining units are also facing the issues of worker availability and tanker transport.

A related issue is the decision to keep ships in quarantine on the high seas for 14 days before arriving at ports. Whether 14 days will be counted from the day the ship left the supply destination or the arrival date is unclear. Then, there are clearance delays at ports, said an official of a large importing company.

Onion prices at Lasalgaon, the huge wholesale market near Nashik, is apparently only around ₹12 a kg. Supply by road transport from there to consuming centres is another issue.

A sector official hoped that "going ahead, these things should get sorted".

### KEY CHALLENGES

- **Imported pulses,** edible oils face Customs issues
- **Essential commodities'** supplies to *mandis* hit
- **Unavailability of labour,** reluctance of transporters to deliver the major issues
- **Flour mills, dal mills working** in full swing on high demand
- **Vegetable supplies to *mandis* high** but lifting by traders in Mumbai could slow down

# Crude oil, copper fall on global uncertainty

DILIP KUMAR JHA
Mumbai, 23 March

The price of copper declined 4.6 per cent on the Multi Commodity Exchange (MCX), following global cues, led by forecasts of slowing demand and uncertainty over the widening virus spread.

The most active copper contract on the MCX declined the most to trade at ₹355 a kg towards the end of the session on Monday, after similar declines on the benchmark London Metal Exchange (LME) and on the Shanghai one. Copper futures for near-month delivery hit the lowest in 11 years. Crude oil futures for delivery in April also continued a downward march, diving nearly 8.8 per cent to ₹1,768 a barrel. Lead, nickel and zinc also extended their decline, falling around 3.5 per cent each on expectations of uncertain demand once the global economy comes out of the pandemic.

"COVID-19 has pushed the global economy into uncertainty. Several big economies have announced stimulus measures, which indicate that demand-side fundamentals are expected to remain weak. On the supply side, the lockdown and trade restrictions have already impacted. Following weak demand and uncertainties, base metals and energy are falling globally," said Ajay Kedia, director, Kedia Advisory.

A price war in crude oil has also led to its increased supply.

Gold prices declined, albeit marginally, in the spot and futures markets, despite strong fundamentals. Standard gold at Zaveri Bazaar here declined 1.5 per cent, to close at ₹40,556 per 10g. Silver fell 1 per cent in the physical market, to ₹36,850 a kg on Monday. However, after the announcement of additional liquidity pumping in America, the prices recovered amid volatile trade.

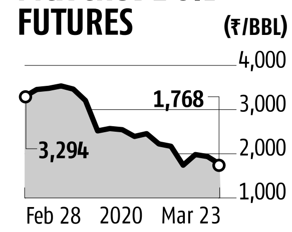
The most active copper contract on the Shanghai Futures Exchange tumbled by 8 per cent to trade at 35,300 yuan a tonne, its lowest since June 23, 2009. It recovered later to 37,080 yuan a tonne on fresh booking, while three-month copper on the LME was down by 5.2 per cent at $4,562 a tonne in early trade. "More countries are locking down cities and suspending their trade with other countries by imposing tighter restrictions on transportation to curb the transmission of COVID-19.

With industrial activity slowing rapidly, demand for metals is likely to remain subdued and inventories to build up. This can create further downward pressure on base metals," said an analyst. All base metal, energy and bullion prices have declined by 10 to 50 per cent over the three months since COVID-19 was first reported in China.

Interestingly, diamonds have emerged as a profitable investment avenue. It has yielded positive returns in the past three month in futures trade. "Diamond futures are relatively insulated from volatility in the physical market, indicating the contract is more aligned with dollar-rupee movements. The contract has been following the dollar-rupee trend in the past few months. It will give some comfort to investors who wish to buy dollars in times of volatility," said Kunal Shah, head of commodity research at brokerage Nirmal Bang.

Diamond futures increased from ₹3,350 a cent per carat in December end to ₹3,765 a cent now following weak rupee.

### MCX CRUDE OIL FUTURES




Compiled by *BS* Research Bureau
Source: MCX

# Stung by virus, Medimix finds its pull factor

## The medicinal soap brand is seeing a sharp spurt in demand across the country

TE NARASIMHAN
Chennai, 23 March

Over the past few weeks, Medimix, the low-key medicinal soap brand that was once the staple of budget hotels and rail travel has found itself thrust into the limelight. Born and sold as a cure for skin ailments, the brand that turned 50 last year has never seen such a massive crush at its shelves. So much so that the company is struggling to keep up with demand.

Medimix is owned by two companies. Cholayil in the North run by the son of founder V P Sidhan, who is said to have mixed herbs and oils on his kitchen counter to make a medicinal mix and then named the soap thus, and AVA, in the South, owned by his son-in-law. Although the two are run as separate businesses, they share the brand name. And while Ava has seen a huge surge in demand, for Cholayil, there is a perceptible shift in the way the brand is being perceived.

A V Anoop, managing director, AVA Group says demand for the products, especially for hand wash (liquid soap) has increased by nearly 25 per cent. "The growth came as sweet surprise for the segment, which was degrowing," he said.

**"(Post Covid-19) people will realise the significance of brands built around health and hygiene"**
PRADEEP CHOLAYIL
CMD, Cholayil group (Medimix, non-South markets)

However, its growing popularity poses a challenge. The company is scrambling to gather enough supply of raw materials (herbs) and packaging materials like hand pumps. "Suppliers are not able to match the demand for the sudden surge," Anoop said. Also there are not enough people to make the soap, given the stay-at-home directives across the country. "Soap making is a laborious and time-consuming process and we rely heavily on our workers, some of whom have been with us for over 25 years," he added.

The Coronavirus has changed the demand for the brand, creating a pull for the product, instead of relying on a push from the marketers and while in the South, Medimix is dealing with its problem of plenty, the challenge in the North is a different one.

Cholayil, the company that markets the soap in non-South Indian markets, is still to make its debut in hand-wash and sanitiser categories that have seen the maximum demand in recent weeks. The company is not going to be opportunistic and prepone its launch of hand-wash, scheduled for April, it said but believes that for Medimix, the virus has changed its life forever.

Pradeep Cholayil, chairman and managing director, Cholayil said, "We feel the demand of personal care will come back to normal post Covid 19. However people will realise the significance of brands built around health and hygiene. That will help us also in gaining more volumes." He said that they will launch a new hand-wash in April and were not facing any production related challenges, unlike the group in the South.

Medimix is a brand that finds itself in the right place at a rather unfortunate twist in time. In the panicked existence that people have been forced into under the rapid spread of the Coronavirus, demand for all hygiene products has soared but the spike has been even greater for herbal-naturals.

The product and the name of the brand both have a role to play in the demand surge said experts. In its early days Medimix was sold only in Chennai as a prescription-only product but as the soap's popularity grew, the brand was launched commercially in 1969, the name was just an amalgamation of the words medicine and mix. Easy to recall, the name has stood it in good stead over the years and is proving handy even today.

**"Suppliers are not able to match the demand for the sudden surge (in demand for Medimix)"**
A V ANOOP
MD, AVA Group (Medimix, South)

Anoop said that the brand has benefited from the increased hygiene perception among consumers, a factor that he believes is unlikely to change even when the threat of the virus recedes. The present situation will change habits in perpetuity and that, he said, bodes well for Medimix. However a lot depends on the manner in which the company is able to leverage the new found awareness about the brand and its increased popularity. It calls for a re-positioning exercise that ought to balance the brand's legacy with the present requirements of the day. It is about driving a perception change among consumers; about putting some distance between the past and the present-day realities for the brand, but at the same time, leveraging its legacy, Anoop said.

FROM PAGE 1

## Bulls locked down...

Some experts said the fear that India may shut down the markets could have accelerated. Policymakers world over have announced massive relief packages to support their economies. "Globally, we have already seen unprecedented measures on the monetary and the fiscal fronts and in some places, they seem to have exhausted all ammunition. The RBI and the government, so far, supposedly kept the gunpowder dry for use at the right time," said Pathak.

All the Sensex and Nifty components ended with losses on Monday. Shares of several marquee companies, including Axis Bank, Bajaj Finserv, and Bajaj Finance, lost nearly a fourth of their value in a single day.

At the forefront of the market fall have been banking and financial stocks, which enjoy high weighting in the benchmark indices. The Bank Nifty index is down nearly 50 per cent this year.

If the markets fall another 2 per cent, India's market cap will slip below ₹100 trillion. India had first crossed this milestone in November 2014 in the aftermath of the BJP sweeping victory in the general elections. From the peak in January, India's market cap has seen an erosion of almost ₹60 trillion.

So far in March, the Sensex and the Nifty are down 32 per cent, making India the worst performing major market in the world. From their record highs on January 17, the indices are down nearly 40 per cent.

In the history of the domestic capital markets, the markets had hit lower circuits only twice in 2004 (after the general election results) and in January 2008 (amid the global financial crisis). This month alone, there have been two lower circuits.

Overall, there were nearly 10 declining stocks for every one advancing on the BSE were shares of 2,400 companies got traded on Monday. Of this, over 650 hit the lower trading limit.

## Liquidity crunch hurts...

"Foreign institutional investors have sold ₹8,000 crore -₹10,000 crore in the current month. Meanwhile, volumes in the markets have thinned as fund houses and other participants are seeing disruptions because of work-from-home advisories," said a fund manager.

"Corporate investors are accessing liquid funds to meet debt obligations as business operations have come to a standstill. Apart from this, investors pull out funds during the quarter-end and year-end periods," said another fund manager.

Overall, the debt market has witnessed heavy selling from foreign institutional investors (FIIs) this month. According to the National Securities Depositories' data, FIIs have sold ₹52,000 crore worth of securities in March.

Meanwhile, experts say the widening of spreads in the shorter-tenure bond market makes it an attractive proposition to take fresh positions. "The spreads have turned attractive. These are expected to ease as the government infuses liquidity into the system. Investors holding exposure in the shorter end, as well longer-end of the market should continue with these funds. For new investors, this is a good opportunity. We should see some improvement in April," said Joydeep Sen, founder of wiseinvestor.in

## Domestic flights...

The decision finally was taken at the level of the Prime Minister's Office and the multi-ministerial team, which includes officials from the ministries of health, civil aviation, and home.

"The government clearly sees heightened risks related to the COVID-19 virus and is determined to take unprecedented action to slow its transmission. This is the right decision in the prevailing circumstances. For airlines, this suspension coincides with what can only be described as a destruction of demand in the last few days," said Kapil Kaul, chief executive officer, CAPA, which is an aviation consultant.

Kaul said the disruption aviation was experiencing would leave an impact well beyond 2020-21 unless the government lent support. The government is planning an extensive relief package for the aviation sector. Government sources part of forming the relief package said there would be multiple aspects to the relief package in order to take care of the reduced cash flow of airlines.

Primary measures will be extending two-month fuel credit from oil-marketing companies, waiving landing, parking charges and soft loan and waiver of all taxes from jet fuel like excise duty, value added tax. Simultaneously, the government will also ask banks to offer soft loans to airlines at 1 or 1.5 percent interest rate from banks based in Gujarat International Finance Tec-City (GIFT).

## RBI advances OMO...

Earlier in the day, the RBI said the variable rate 16-day repo operations, in which the central bank infuses liquidity in the system, will be held on Monday and Tuesday, "as a pre-emptive measure to tide over any frictional liquidity requirements on account of dislocations due to COVID-19," the central bank said. The central bank also advanced its ₹15,000 crore open market operations (OMO), in which it buys bonds from the secondary market, to March 26 from March 30. Another ₹15,000 crore of OMO will be conducted on Tuesday. This will take the total OMOs in March to ₹40,000 crore.

The central bank has announced a series of measures to tide over any liquidity issues caused by coronavirus dislocation in the markets. It has so far announced $4 billion in forex swaps, said it will buy ₹40,000 crore of bonds through OMO in March, announced ₹1 trillion of liquidity infusion through 1-year and 3-year long term repo operations, and now the ₹1 trillion variable rate repo operations.

## Modi connects...

The chambers reiterated that none of the moves being sought by them would have any major negative financial implication for the government.

At the meeting, Modi stressed that supply of essential items should not be impacted, while black marketing and hoarding must be prevented. However, TVS Group's Venu Srinivasan pointed out that clarifying what constitutes an essential item remains a problem. "Now, a lot of stocks are trading at less than 50 per cent of two years ago. When the bulls come back, it will be a 'V' shaped recovery," he added.

Heeding the government's call to burden more responsibility, business leaders have also assured the PM that workers will not be laid off casually and firms would try to guarantee the financial safety of the most vulnerable. For instance, CII members will dedicate their plant facilities to help scale up manufacturing and availability of essential equipment needed to deal with the medical emergency linked to ventilators, sanitisers, essential drugs, medical services, on a no-profit basis.

Ficci members plan to support up to 5,000 new medical beds by converting hotel rooms into medical facilities. The industry body is working with Niti Aayog to produce beds and ventilators for isolation and quarantine, and is sharing data for virus testing practices. Besides Mehta, Srinivasan and Piramal, other business leaders to log into the meeting included Rajan Bharti Mittal, Uday Kotak, Pankaj Patel and Harsh Pati Singhania.

## BS SUDOKU # 3006

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SOLUTION TO #3005

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| 3 | 9 | 2 | 5 | 7 | 6 | 1 | 8 | 4 |
| 9 | 4 | 6 | 2 | 1 | 8 | 3 | 7 | 5 |
| 8 | 7 | 5 | 4 | 6 | 3 | 2 | 9 | 1 |
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**Very easy:** ★

**Solution tomorrow**

**HOW TO PLAY**

Fill in the grid so that every row, every column and every 3x3 box contains the digits 1 to 9


Passengers board a DTC bus. No public transport is operating except 25% of the DTC buses for people associated with essential services

PHOTO: PTI

# COVID-19 death toll rises to 9, cases mount to 468

- ACTIVE CASES STAND AT 424, SAYS UNION HEALTH MINISTRY
- 30 STATES, UNION TERRITORIES IN COMPLETE LOCKDOWN
- NUMBER OF CASES IN MAHARASHTRA NOW 97; EIGHT MORE TEST +VE

PRESS TRUST OF INDIA
New Delhi, 23 March

The death toll due to the novel coronavirus pandemic rose to nine on Monday after West Bengal and Himachal Pradesh reported a casualty each, while the number of confirmed cases soared to 468, the Union health ministry said.

The number of active COVID-19 cases are 424 now and 35 people have been cured/discharged/migrated, while nine have died, taking total number of confirmed cases to 468, including 40 foreign nationals, according to the ministry data.

West Bengal and Himachal Pradesh reported its first death due to COVID-19, while seven deaths were earlier reported from Maharashtra (2), Bihar, Karnataka, Delhi, Gujarat, and Punjab.

CORONAVIRUS PANDEMIC

*Curfew passes issued by police must for travel between Delhi and its neighbouring areas from Tuesday, says government*

Maharashtra has reported the highest number of COVID-19 cases at 74, including three foreigners, followed by Kerala at 67, including seven foreign nationals, according to the ministry data.

Karnataka has 33 cases of coronavirus patients after seven more persons tested positive for the deadly virus. The number of cases in Telangana have risen to 32, including 10 foreigners.

Uttar Pradesh now has 31 positive cases, including a foreign national. Delhi and Gujarat have reported 29 cases each, while Rajasthan has 28 positive cases, including two foreign nationals.

In Haryana, there are 26 cases, including 14 foreigners, while Punjab has 21 cases.

Ladakh has 13 cases, while Tamil Nadu has nine cases, including two foreigners. West Bengal reported seven cases, while Madhya Pradesh has six cases so far. Chandigarh has six cases, while Andhra Pradesh reported seven cases.

Jammu and Kashmir has four cases.

Uttarakhand and Himachal Pradesh have reported three cases each, while there are two case each in Bihar and Odisha. Puducherry and Chhattisgarh have reported a case each.

### ICMR recommends hydroxychloroquine for high-risk population

Amid rising coronavirus cases in the country, the national task force for COVID-19 constituted by the Indian Council for Medical Research (ICMR) has recommended hydroxychloroquine as a preventive medication for high-risk population. Strictly-implemented social-distancing measures will reduce the overall expected number of cases of the novel coronavirus pandemic by 62 per cent and the peak number of cases by 89 per cent, according to the country's apex health research body. PTI

Barricades along the Delhi-Ghaziabad border after lockdown in New Delhi, on Monday

PHOTO: REUTERS

### INDIA IMPACT

- Jaunpur became the 17th district in Uttar Pradesh where a lockdown has been imposed after a fresh case was detected, taking the total number of patients in the state to 33
- Total lockdown announced in Gujarat
- Nearly 500 evacuees from Iran asymptomatic: Army
- Four more test positive in Rajasthan, number of cases rise to 32
- SBI will provide 0.25% of its annual profit for FY20 to fight the outbreak
- Delhi allocates ₹50 crore for coronavirus in its budget
- Assam to be under lockdown from 6 pm on Tuesday till March 31
- Number of COVID-19 cases in Telangana rises to 33
- Karnataka reports seven new cases. Total number of cases in the state now 33. CM B S Yediyurappa announces lockdown from March 24 till 31 across the state
- Kerala announces lockdown till March 31 as 28 fresh cases reported
- One more tests positive for coronavirus in Uttarakhand, total cases 4
- Ladakh imposes lockdown till March 31
- Curfew imposed in Puducherry (from March 23 till March 31)
- 11 new cases in Gujarat; total number of patients rises to 29
- 12 laboratory chains have come on board and are testing for the virus: ICMR
- AIIMS shuts down OPD services first time ever
- Suspected COVID-19 patient dies in Himachal Pradesh's Kangra
- Delhi HC, district courts suspend operations till Apr 4
- Kejriwal asks people to follow lockdown; warns strict action against violators
- Lok Sabha adjourned sine die
- Delhi govt to tighten restriction on public movement
- Tamil Nadu imposes Section 144 from Tuesday evening until March 31
- Govt approves 12 private labs for COVID-19 tests

# SoftBank unveils dramatic $41-billion asset sale plan

The Japanese company will use $18 billion for a share buyback

BLOOMBERG
24 March

*The Japanese conglomerate, which also operates the $100-bn Vision Fund, is considered especially vulnerable to economic shocks given its enormous debt load and ties to unprofitable start-ups across the world*

Masayoshi Son is making his biggest play yet to silence doubters. On Monday, the Japanese billionaire unveiled an unprecedented $41 billion plan to sell off assets and shore up SoftBank Group Corp.'s crumbling market value in the face of the coronavirus pandemic.

SoftBank aims to sell assets to raise as much as 4.5 trillion yen ($41 billion) over the coming year to buy back stock and slash debt — an amount equivalent to almost its entire market value last week. The scale of the endeavor surprised investors, sending the Japanese firm's stock up 19 per cent. Yet that's a fraction the capitalisation the investment house has lost since its 2020 peak, underscoring persistent concerns that tumbling technology sector valuations will damage Son's debt-laden company.

The Japanese conglomerate, which also operates the $100 billion Vision Fund, is considered especially vulnerable to economic shocks given its enormous debt load and ties to unprofitable startups across the world. After Monday's rally, it's still down more than 40 per cent from this year's peak in February.

The coronavirus-triggered rout has also spread to credit markets and sparked a surge in the cost of insuring debt against default — including that of SoftBank, whose credit-default swaps touched their highest level in about a decade.

French rescue team evacuates a patient from Mulhouse hospital

PHOTO: REUTERS

### GLOBAL DEATH TOLL CROSSES 15,000

- **England** death toll rises by 46 to 303
- **Pakistan's** coronavirus cases rise to 875
- **Iran** reports 127 new coronavirus deaths, raising toll to 1,812
- **Singapore** reports highest single-day increase, total cases cross 500
- Confirmed infections in the **Netherlands** rise 13 per cent
- Cases in **Germany** cross 22,672
- **Chancellor Angela Merkel** negative in 1st virus test; more to be done
- **Spain** toll surpasses 2,000 after 462 deaths in 24 hours. Over 100 have died in **France, Iran** and the **US** each
- **Italy** remained the country hardest-hit outside mainland China, registering over 600 deaths in a day. Toll at 6,078
- **Indonesia** cases rise by 65 to 579
- **Malaysia** cases up by 212 in biggest daily jump
- **Nepal** confirms second case
- **South Africa** cases jump to 402

*"COVID-19 pandemic accelerating"*

TEDROS ADHANOM GHEBREYESUS, DG, WHO

*This is the moment for extra effort, for going the extra mile. Please get ready for the storm to hit because hit it will"*

MARK SCHNEIDENESTLE, Nestle, chief executive


**OLYMPICS IN THE BALANCE**

After Canada and Australia confirmed they would not send athletes to the Tokyo Olympics if it went ahead this year, other nations are now going public with calls for a delay.

# Wall Street falls despite Fed's liquidity push

REUTERS
23 March

Fresh support announced by the Federal Reserve failed to lift Wall Street on Monday, after Europe and Asia had both been overwhelmed by the coronavirus pandemic and growing number of national lockdowns that could push the global economy deep into recession.

European stocks had dived more than 4 per cent in morning trade , futures had been more than 3 per cent lower and commodity markets had also suffered more heavy selling before an announcement from the US central bank.

European markets close lower amid coronavirus jitters; Stoxx 600 down 4.4 per cent.

The Fed said it would backstop an unprecedented range of credit for households, small and major firms to offset the "severe disruptions" caused by the virus. Purchases of US. Treasury and mortgage-backed securities will also be expanded as much as needed.

"It's their bazooka moment. It's their 'We'll do whatever it takes' moment," said Russell Price, Chief Economist at Ameriprise Financial Services in Troy, Michigan.

Wall Street stocks opened mostly lower early Monday as Congress wrangled over a massive stimulus package while the Federal Reserve unveiled new emergency programs to boost the economy.

A few minutes into trading, the Dow Jones Industrial Average was down 0.8 percent at 19,014.47. At 11 pm IST, the Dow Jones was down 347.93 points at 18,826.05 points, S&P500 was down 2.14 per cent at 2,257.33 .

The S&P is down almost 35 per cent from its February 19 record and is headed for the lowest close of Donald Trump's presidency.

The Dow Jones dropped as much as 5 per cent and at one point lost all its gains since he was elected on November 8, 2016.

# Govt leaves room for fuel price hikes

## The Centre to hike excise duty on petrol and diesel by ₹8 per litre each

DILASHA SETH
New Delhi, 23 March

With an aim to widen the tax net and plug evasion, Finance Minister Nirmala Sitharaman on Monday took authorisation to hike excise duty on petrol and diesel by ₹8 per litre, besides imposing a digital tax on foreign e-commerce players.

The digital tax at the rate of 2 per cent may particularly come as a setback to Chinese e-commerce players like AliExpress, Shein, and Club Factory selling in India.

A provision for this in the Finance Bill was among the more than 40 changes in the Finance Bill, introduced in the Lok Sabha. It was passed without a discussion.

Amid falling crude oil prices, the government had on March 14 raised excise duty on petrol and diesel by ₹3 per litre each.

This will help raise an additional ₹39,000 crore in revenue annually. This duty hike included ₹2 a litre increase in special additional excise duty and ₹1 in road and infrastructure cess. This hike took the special additional excise duty to the threshold of ₹10 for petrol and ₹4 in diesel. The limit has now been increased to ₹18 a litre in case of petrol and ₹12 in the case of diesel by way of amending the Eighth Schedule of the Finance Act.

In a setback to Chinese e-commerce players like AliExpress, Shein and Club Factory selling in India, the government imposed a 2 per cent digital tax on trade and services of non-resident e-commerce operators, expanding the scope of the equalisation levy.

**PINCHING POCKETS**
Excise duty in ₹/litre
■ Apr '14 ■ Mar '20

| | Apr '14 | Mar '20 | % increase |
|---|---|---|---|
| Petrol | 9.48 | 22.98 | 142.4 |
| Diesel | 3.56 | 18.83 | 428.9 |

**KEY AMENDMENTS IN THE FINANCE BILL**

- Equalisation levy of 2% on non-resident e-commerce operators
- ₹15 lakh threshold of income from India for non-resident Indians
- Relaxation of TCS on LRS remittance to 0.5% from 5%
- Higher TDS on cash withdrawal for defaulters
- Postponement of withholding tax obligation on e-commerce operators to Oct 1, 2020
- Section 80M deduction for non-cascading of dividends expanded to dividend received from a foreign firm or business trust

The provision will come into effect from April 1 this year and e-commerce operators have to pay the levy at the end of each quarter.

Amit Maheshwari, Partner, AKM Global, said that the scope of the equalisation levy would only increase with time as long as a global consensus is missing.

"Interestingly, the applicability is also on supply by non-resident operators to non-residents provide that the sale of advertisement or sale of data has a nexus is India. This would pose practical difficulties in compliance," he said.

Rajat Mohan, partner, AMRG Associates said that the provisions of the equalisation levy would will give a push to make in India initiatives of central government and would also keep in check massive dumping of good in India especially by Chinese online companies.

"Slowing Indian economy would need a safety net from Chinese manufacturing, distribution and e-commerce companies who are eyeing price sensitive Indian markets as an easy target for unloading supplies at deep discount," said Mohan.

The amendments also introduced a ₹15 lakh threshold for taxing non-residents' income.

The amendment to Budget 2020 seeks to tax only those Indian citizens, who have stayed in India for a period of 120 days or more and have total income (other than income from foreign source) exceeding ₹15 lakh during the previous year.

Amit Singhania, partner, Shardul Amarchand Mangaldas said that the residency rule for qualifying non-resident status relaxed for individuals deriving total income less than ₹15 lakh from Indian sources was a welcome step, but the threshold is a bit on lower side.

Tightening tax evasion, the amendments introduced a higher tax deduction at source at bank withdrawals for defaulters. With effect from July 1, 2020, a person who has not filed income-tax returns for all of the three preceding previous years will be subjected to tax deducted at source (TDS) at the rate of 2 per cent if withdrawal amount is between ₹20 lakh and ₹1 crore and at the rate of 5 per cent for withdrawals over ₹1 crore.

Normally, 2 per cent TDS applies for cash withdrawals of over ₹1 crore.

With the Finance Bill abolishing dividend distribution tax, making it taxable at the hands of shareholders, a clarificatory change has been made, providing that dividends received by the shareholders after April 1, 2020, shall not be taxed if tax has been paid in accordance with the erstwhile provisions as per the earlier law.

"This addresses the confusion revolving around the scenario where dividend has been declared/ distributed by the company before April 1, 2020 and DDT has been paid in accordance with the erstwhile provisions but dividend was received by such shareholder on/after April 1, 2020. The recipient shareholders shall now be spared from double taxation of the dividend in such a case," said Nangia.

Relaxation has also been given to individuals remitting money overseas abroad, especially for overseas education, especially by loan, where rate of TCS has been reduced from earlier 5 per cent to 0.5 per cent.

# 'Rupee payment permissible for exports to Bhutan'

**CHATROOM**
T N C RAJAGOPALAN

**We have received an order for export to Bhutan against payment in Indian rupees. Can we accept this order and export under LUT?**

Yes. Regulation 3(1)(A)(ii) of the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016 allows you to receive payment for exports to Bhutan in Indian rupees. CBEC Circular no. 88/07/2-019-GST dated February 1, 2019, clarifies that the acceptance of LUT for supplies of goods or services to countries outside India will be permissible irrespective of whether the payments are made in Indian currency or convertible foreign exchange, as long as they are in accordance with the applicable RBI guidelines.

**Can we make payments to a local supplier from our EEFC account? If so, can you cite the authority?**

Para 3 (v) of the Schedule to the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2000, says: "Following debits may be made to an EEFC Account, namely — (v) Payment in foreign exchange to a person resident in India for supply of goods/ services including payments for air fare and hotel expenditure."

**We got an advance authorisation in 2012-13, against which import was done for 100 per cent eligible amount, but export obligation could not be met completely. To redeem the licence we had to pay customs duty on the extent of deficit of export obligation. Customs duty paid includes CVD and SAD, whose input credit was available in the pre-GST regime. As per Section 142 of the CGST Act, 2017, a claim which is initiated under the existing law (pre-GST) will be refunded in cash. How can we get a refund of the amount paid?**

Section 142(3) of the CGST Act, 2017 says, "every claim for refund filed by any person before, on or after the appointed day, for refund of any amount of CENVAT credit, duty, tax, interest or any other amount paid under the existing law, shall be disposed of in accordance with the provisions of existing law and any amount eventually accruing to him shall be paid in cash, notwithstanding anything to the contrary contained under the provisions of existing law other than the provisions of sub-section (2) of section 11B of the Central Excise Act, 1944 (1 of 1944)".

So, please file an application in the prescribed Form R, along with a copy of the challan evidencing payment of duty and a certificate from Customs regarding the duty payment towards regularisation of default under advance authorisation, and a covering letter explaining the circumstances leading to the refund claim.

**We have received summons from the Customs asking us to submit evidence like copies of shipping bills, invoice, and packing list against purging of shipping bills. What are the implications?**

I do not know why you filed shipping bills and then decided not to export, allowing the system to purge the shipping bills. If you are able to satisfy the Customs that you had valid reasons to do so, there may be no adverse implications.

*Business Standard invites readers' SME queries related to excise, VAT and exim policy. You can write to us at smechat@bsmail.in*

# EPFO to disburse pension early to subscribers

SOMESH JHA
New Delhi, 23 March

The Employees' Provident Fund Organisation (EPFO) will disburse monthly pension to its 6.5 million account holders before the end of March, to help subscribers tide over the COVID-19 outbreak.

"Due to the COVID-19 pandemic, lockdown has been declared in various parts of the country. To ensure that no inconvenience is caused to the pensioners on account of the prevalent situation, (the) Central Provident Fund Commissioner (of the EPFO) has directed the field offices to generate and reconcile pensioners' details and pension amount statements for the current month by March 25," a statement issued by the labour and employment ministry on Monday said.

It added that EPFO's Central Provident Fund Commissioner Sunil Barthwal has directed the officials to forward it to banks "so that the monthly pension is credited into the account of the pensioners in time i.e. during the month of March itself."

An official explained that the EPFO usually sends the pension disbursement detail to banks on the last working day of the month (in this case, it would have been March 31). The pension is credited to the subscriber's account in the first week of the following month. This timeline has been advanced now.

Earlier this month, the EPFO had issued a statement asking its subscribers to avail online for availing various facilities, including for their provident fund claims. The government offices have been operating with skeletal staff in a bid to avoid the spread of COVID-19 virus. Many private offices are either shut or have asked their employees to work from home.

The EPFO runs three schemes for private sector workers: The Employees' Provident Fund scheme, the Employees' Pension Scheme (EPS), and the Employees' Deposit Linked Insurance Scheme.

Employees contribute 12 per cent of their wage (basic pay and dearness allowance) towards these schemes with a matching contribution of 12 per cent from employers. Of this, 8.33 per cent of the employers' share goes towards the EPS and the government further makes a contribution of 1.16 per cent of the wage to the pension account of workers.

At present, 8.33 per cent of wage up to ₹15,000 a month is remitted to the EPS account of a worker. Workers with wage above ₹15,000 a month who became part of the EPFO's schemes after September 1, 2014, do not have a pension account.

The EPS fund is a pooled account with the EPFO with defined benefit for all beneficiaries who receive pension after attaining the age of 58 years with a condition that they have completed at least 10 years of service.

Under the EPS, workers get a monthly pension from the age of 58 years until death. The pension amount is based on a formula with pensionable salary being the monthly basic pay plus dearness allowance averaged over the last 60 months of a worker's service.

After assuming power in its previous stint, the National Democratic Alliance (NDA) government had announced a minimum monthly pension of ₹1,000 to all subscribers of the scheme, effective from September 2014. The move benefited around 1.8 million pensioners every year.

# E-com policy to crack down on counterfeit makers, resellers

PAVAN LALL
Mumbai, 23 March

A decade ago, online sellers like Flipkart, Snapdeal and Amazon arguably had immunity when it came to liability for the authenticity of products sold on their platforms.

Counterfeit electronic goods, knock-offs of apparel, cosmetics and over-the-counter pharmaceutical products were common-place online.

However, the tide started to first turn after a judgment against dotcom seller Baazee.com in 2004 for selling a sleazy clip of students on its site.

That set the stage for how laws were to apply for intermediaries, who neither customers nor original equipment manufacturers (OEMs) could earlier take on. This is because of the enormous customer reach and influence they possessed.

Today, that's a thing of the past given the way the e-commerce draft guidelines are shaping up, according to professionals tracking it.

Spurring it is a growing number of lawsuits between both original manufacturers and copycats as well as manufacturers and online retailers, also referred to as the "intermediary" in the e-commerce world. One e-commerce expert said policymakers are actually "gunning for large online intermediaries on the subject of counterfeiting." Counterfeiting is a real and serious problem. According to the Authentication Solution Providers' Association (ASPA), India suffers a loss of over ₹1 trillion a year owing to the sale and purchase of counterfeit goods by consumers.

Historically, intermediaries have enjoyed a level of protection because of the Information Technology Act (2000) that gave it 'safe harbour' provisions, which are still part of related statutes. However, Nandan Pendsey, partner at law firm AZB & Partners, said that "an intermediary is meant to be someone that merely acts as a 'conduit' and does nothing to influence or alter the content of the communication."

**COPYCAT DISPUTES**

- Skechers vs Flipkart, Tech Connect, others
- Casio vs Snapdeal
- House of Anita Dongre vs Vasansi, Om Prakash Jawahar Lal
- Christian Louboutin SAS vs Nakul Bajaj (Darveys.com)
- L'Oreal vs Brandworld
- LuxxoticaGroup vs Mify Solutions
- Amway India vs 1MG Technologies

**DRAFT POLICY NORMS FOR CONSUMER BENEFIT**

- Marketplaces will ensure quality of merchandise
- Consumers should see genuine reviews, not fake reviews
- Genuine products to be sold on marketplaces

Source: Companies

The government's new e-commerce policy being drafted is expected to zoom in on four broad areas. They include data access, anti-counterfeiting, regulations around market-place and inventory models, and consumer protection measures.

"The decision of the Delhi High Court in Christian Louboutin SAS vs Nakul Bajaj & others indicates whether an online marketplace may be construed as an 'intermediary' depends on its involvement in one or more of the activities as stated in that case. They include providing transport, warehousing and quality assurance for products listed on the platform, re-packaging the product using its own packaging, advertising the products on the platform and providing authenticity guarantees," said Pendsey.

Pendsey added, "The court also underscored the importance of observing the necessary due diligence as prescribed in the Intermediaries Guidelines under the IT Act."

In recent times, laws have come into place, requiring a seller to offer certificates of authenticity, identification details that allow tracing and create an overall platform that is much more consumer-friendly and transparent. The House of Anita Dongre, a top fashion manufacturer has been on the receiving end of having its designs ripped off. "The problem became so rampant that we had to take the legal route against a few prominent offline retailers in New Delhi," said Kavindra Mishra chief executive officer (CEO) of the fashion house. "It's common to see our designs from brands like Global Desi copied blatantly by smaller fly-by-night operators and we pursue all possible means to restrain them.

We work with all leading online players to ensure our brands are represented correctly on their portals," said Mishra.

The fight around authenticity is reflected in the growing number of lawsuits between both OEMs and copycats as well as manufacturers and online retailers. Mishra, who was earlier CEO of Pepe Jeans India, said it's not uncommon for the total counterfeit sales or value of a product to be the same or even higher than the original.

Ganesh Prasad, partner who specialises in technology at law firm Khaitan and Co., said a stronger regulatory framework is required to check counterfeit products. "A centralised state body which only checks on the issue of counterfeits is one way to do it," he said.

"Today, in America also, there is a law that strikes down counterfeiting and to my mind that is highly prescriptive. An intermediary must of course do diligence and checks when onboarding a seller." Prasad added that in addition to e-commerce, there is an urgent need for a separate regulator for counterfeits. This is because it's important to remember "that copycats may be sold online but are made offline."