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Business Standard

COMPANIES P3
INFOSYS GETS CLEAN CHIT FROM US REGULATOR

COMPANIES P3
TELCOS FACE CHALLENGE TO KEEP INDIA INC CONNECTED

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THE MARKETS ON TUESDAY

		Chg#
Sensex	26,674.0▲	692.8
Nifty	7,801.0▲	190.8
Nifty futures*	7,853.8▲	52.8
Dollar	₹76.1	₹76.3**
Euro	₹82.5	₹81.4**
Brent crude ($/bbl)##	26.8##	26.4**
Gold (10 gm)###	₹42,078.0▲	₹1,522.0

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

TO OUR READERS

In view of the need for widespread dissemination of news on the COVID-19 outbreak, *Business Standard* is making all such content free on its website for four months from the date of their publication. All our other routine content will also be freely accessible on ***www.business-standard.com,*** as many readers may not be able to access our print edition owing to limited distribution during the nationwide lockdown. Stay informed with *Business Standard*.

India locked down for 21 days

Or else, the nation may go back 21 years, says PM; govt allocates ₹15,000 cr to strengthen health infra to fight the pandemic

ARCHIS MOHAN
New Delhi, 24 March

Prime Minister (PM) Narendra Modi on Tuesday announced a 21-day nationwide "curfew", or a lockdown, to contain the spread of COVID-19. He appealed to the people "with folded hands" to practise strict social distancing.

Subsequent to the PM's speech, the Union home ministry, in an unprecedented move, announced shutting down all government and private establishments, apart from those involved in essential services, and all modes of transport, during the duration of the lockdown.

PAGE 7
EDIT: BEYOND THE 'LAXMAN REKHA'

The PM said unless India's 1.3 billion people practised social distancing, and the "chain of its spread not broken" within these 21 days, the coronavirus outbreak could push the country back by 21 years, and several families would be devastated forever.

The nationwide lockdown came into effect on Tuesday midnight and will continue until April 14.

The PM's announcement led to people resorting to panic buying at several places in the country.

A little after the speech, Modi tweeted the home ministry guidelines, which said all essential services and supplies would be maintained during the duration of the lockdown. He appealed to the people not to panic.

"By converging around shops, you are risking the spread of COVID-19. No panic buying please. Please stay indoors. I repeat- Centre and State Governments will ensure all essentials are available," the PM tweeted.

"My fellow citizens, THERE IS ABSOLUTELY NO NEED TO PANIC. Essential commodities, medicines etc. would be available. Centre and various state governments will work in close coordination to ensure this. Together, we will fight COVID-19 and create a healthier India. Jai Hind!" he tweeted.

The PM said the Centre had allocated ₹15,000 crore to strengthen the country's health infrastructure.

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NO PANIC BUYING PLEASE. STAY INDOORS. THE CENTRE AND STATE GOVERNMENTS WILL ENSURE ALL ESSENTIALS ARE AVAILABLE

"THIS IS TIME FOR PATIENCE AND DISCIPLINE. I APPEAL TO YOU WITH FOLDED HANDS TO REMEMBER PEOPLE ARE PUTTING THEIR LIVES AT RISK FOR OUR SAFETY"

NARENDRA MODI,
Prime Minister

THE FINE PRINT

WHAT'S CLOSED?
- All govt offices, autonomous institutions, and public corporations
- Hospitality services, educational institutions
- All transport services — air, rail and roadways — to remain suspended

WHAT'S OPEN?
- Fair price shops and those dealing with food, groceries, fruits, vegetables, dairy, meat, fish, animal fodder
- Banks, insurance offices, print and electronic media

OTHER EXEMPTIONS
- Hotels, homestays, lodges and motels where people are stranded due to the lockdown
- Medical and emergency staff; air and sea crew
- Defence, Central Armed Police Forces, state police, and public utilities

ACTION AGAINST VIOLATORS
- Imprisonment up to two years under the National Disaster Management Act

CORPORATE VOICES

I SUPPORT THIS 21-DAY LOCKDOWN, BUT THE GOVERNMENT, BUREAUCRATS AND POLICE WILL HAVE TO THINK HARD. THE ENFORCEMENT OF RULES MUST BE SENSIBLE AND HUMANE. POLICE CAN'T BEAT UP PEOPLE

N R NARAYANA MURTHY
Co-founder, Infosys

THE GOVERNMENT HAS TO MAKE SURE THAT CERTAIN AMOUNT OF MONEY IS GIVEN TO THE POOR, DAILY WAGE WORKERS… ALL FIRMS WILL NEED SOME KIND OF LIQUIDITY LINE FOR THE NEXT 6 MONTHS

N CHANDRASEKARAN
Chairman, Tata Sons

THIS IS A VERY STRONG MEASURE TO SAVE LIVES. BUT NOW TO SAVE LIVELIHOODS, A SIMILAR OR EVEN STRONGER MEASURE IS NEEDED. A BIG STIMULUS PACKAGE IS NEEDED AS SOON AS POSSIBLE

SAJJAN JINDAL
Chairman, JSW group

CORONAVIRUS EFFECT

INDIA CASES JUMP TO 519; ONE MORE DIES

The death toll due to COVID-19 rose to 10 in the country with Delhi reporting its second death, while the number of coronavirus-positive cases, including casualties, reached 519 on Tuesday, the Union health ministry said. West Bengal and Himachal Pradesh reported a casualty each on Monday. 12

Tokyo Olympics deferred by one year till 2021

The 2020 Tokyo Olympics will be delayed by a year in the first postponement since the games began in the 19th century, becoming the biggest global event to be disrupted by the coronavirus pandemic. Japanese PM Shinzo Abe said he and IOC President Thomas Bach agreed to the unprecedented move on Tuesday. BLOOMBERG

COVID-19 an economic tsunami: Moody's

The coronavirus pandemic has created a "global economic tsunami", Moody's Analytics has warned, citing the rapid spread of the virus and forced lockdowns. It said China's experience with COVID-19 demonstrated the degree of economic devastation to an economy because of the disease. It had pegged the global real GDP growth rate at 2.6 per cent for CY20 before the COVID-19 pandemic.

Omar Abdullah freed after eight-month detention

Former Jammu and Kashmir chief minister Omar Abdullah was on Tuesday freed after nearly eight months in detention, with the administration revoking the Public Safety Act against him. He said the first task was to fight COVID-19 and any discussion on political developments could come later. PTI

BS SPECIAL
ON WEDNESDAY
MONEY MANAGER:
Out of cash! 9

Govt mulls suspending IBC process for 6 months

RUCHIKA CHITRAVANSHI
New Delhi, 24 March

In a relief for small and medium enterprises facing the threat of insolvency because of the coronavirus crisis, the government on Tuesday raised the threshold for invoking insolvency to ₹1 crore from the current ₹1 lakh.

Finance Minister Nirmala Sitharaman, while addressing the media through video conferencing, also said if the situation continued to be difficult, the government would consider suspending the provisions for triggering insolvency for six months.

This means suspending Sections 7, 9 and 10 of the Insolvency and Bankruptcy Act (IBC), which enable a financial creditor, operational creditor and the promoter, respectively, to initiate insolvency proceedings against a company. The proposed move will "stop companies at large from being forced into insolvency proceedings in such force majeure causes of default", said a government release.

PAGE 7
EDIT: COSTLY DELAY

"This will help companies to improve the situation once the economy improves. We hope the Centre will follow this up with an economic package, which will help and stimulate the demand and growth for India under the challenging circumstances," said K R Sekar, partner, Deloitte India.

The government has also pushed the implementation of the Companies Audit Report Order 2020 by a year.

"Given the lockdown, industry, as well as audit professionals, is keenly looking forward to accounting and auditing guidance for financial year ending March 31, 2020, since there are issues relating to physical verification of inventory, fixed assets, balance confirmations, fair value measurements, expected credit losses, going concern and impairment," said Sanjeev Singhal, partner, S R Batliboi & Co.

The finance minister also announced a slew of measures to provide cushion to companies on compliances.

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RELIEF MEASURES ANNOUNCED BY FM

- **Deadline for filing tax returns extended** by three months, to June 30
- **No charges on cash withdrawals** from any bank ATM for 3 months; bank charges cut on digital trade transactions
- **Minimum balance charges** for saving accounts waived
- **24x7 customs clearance** till June 30
- **Deadline to opt for composition scheme extended** till the last week of June

Detailed report P5

CONSTRUCTION WORKERS TO GET CASH BENEFIT

In a first major step for the unorganised sector to tide over the COVID-19 pandemic during lockdown, the central government on Tuesday directed states to transfer cash into the bank accounts of construction workers from the unutilised welfare funds earmarked for them. **Somesh Jha** reports P4

Bond market freezes amid corona scare

ANUP ROY
Mumbai, 24 March

India's bond market saw no trading in the first 30 minutes on Tuesday, as traders worked from home amid expectations of an imminent rate cut.

The volume in the anonymous trading platform, NDS-OM, was ₹7,210 crore — less than half the normal volume, but not as bad as the start of the day indicated. The trading volume picked up in the latter part of the day as the finance minister held a video-conference on steps to be taken to fight the economic slowdown. Besides, a ₹15,000 crore purchase of bonds from the secondary market by the Reserve Bank of India (RBI) helped lift the sentiment.

The benchmark 10-year bond saw trading volume of ₹1,325 crore, and was the most traded one.

The market now expects rate cuts of at least 50 basis points, and industry associations have called for a cut of as much as 150 basis points, as the number of coronavirus cases is rising in India and globally, bringing economic activities to a halt.

Some expect India's gross domestic product (GDP) growth to fall to 3.5 per cent this financial year because of an ongoing slowdown.

Bond dealers say the fall in volume is because of various reasons. Harihar Krishnamurthy, head of treasury of First Rand Bank, explained that traders were working from home, which meant they were just doing bare minimum trades to cover their positions.

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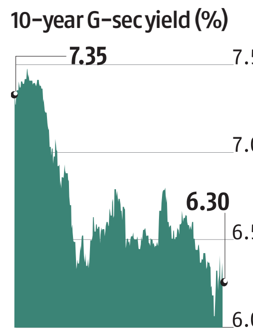
SIGNS OF STRESS

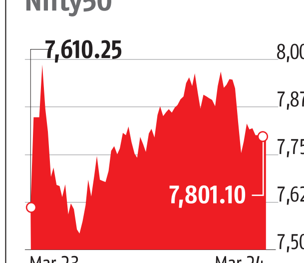
10-year G-sec yield (%)



Source: Bloomberg
Compiled by *BS* Research Bureau

VOLATILE TRADE

Nifty50



Biggest Nifty gainers and losers

Price in ₹	Mar 24, 2020	1-day chg (%)
GAINERS		
Infosys	589.8	12.0
Adani Ports & SEZ	231.8	11.5
Britannia Inds	2,364.7	10.6
LOSERS		
M&M	269.0	-8.3
Grasim Inds	400.1	-7.7
IndusInd Bank	312.4	-7.2

Source: Bloomberg/exchange
Compiled by *BS* research Bureau P8

INDIA VIX BREACHES 2008 PEAKS

India VIX touched 86.63, higher than its historic closing peak of 85.13 in November 2008. P8

With no food or hope, truckers stranded at borders across the country

Some 500,000 drivers and helpers have been left high and dry because of lockdown; many of these trucks are carrying essential goods

SHALLY SETH MOHILE
Mumbai, 24 March

Twenty eight-year-old Mohammad Javed, driver of a truck carrying LPG cylinders, has been stranded at the Hubli checkpost since Tuesday afternoon without food, water or any hope. The policemen posted at the border would not allow him to cross over as the COVID-19 lockdown is to be followed stringently.

Javed is among some 500,000 drivers and helpers left high and dry across the many state borders, estimates made by the Indian Foundation of Transport Research and Training (IFTRT) suggest. Trucks, even the ones carrying essential goods, are not being allowed to move following the government orders to seal the borders and check posts.

"I started from Mangalore at 4 am today and have been at the border check post of Hubli since 1 pm. The police officers stationed here are not allowing me to go ahead and they thrash me when I request them to let me go. They are not even willing to talk. I have been surviving only on water and even that is over," he says, adding there are at least 25 to 30 trucks loaded with LPG cylinders which are marooned in that area.

Suresh Khosla, partner at Shri Anand Transport Agency, which employs Javed, says he's in touch with the Federation of Bombay Motor Transport Operators for the release of the trucks on an urgent basis. His company is into transporting essential bulk commodities, but it's a challenge to continue with the business as all entry points to Maharashtra have been shut due to coronavirus, Khosla points out.

"The biggest challenge we are facing is with all the dhabas and restaurants being shut, the drivers have no option but to starve. The loading location provides food but enroute no dhabas are open," says a person associated with the business.

With all the ancillary automobile shops being shut, vehicle repair is not possible and one cannot get the vehicles back on the road. Not surprisingly, the family members of the drivers are concerned and want them home.

Balmalkit Singh, chairman of All Indian Motor Transport Congress (AIMTC), believes the movement of goods would be severely impacted.

Turn to Page 11

Lockdown hits medicine supplies

With a majority of India under lockdown, the going has got tough for providers of essential services, too. Medicine traders are facing a crisis of logistics. The chemists' association reached out to the Department of Pharmaceuticals (DoP), state chief ministers and even to the PMO highlighting the challenges faced in transporting medicines. P2

Airlines seek govt help to pay staff salary'

Airlines have sought help from the government to help them pay employees' salaries as the coronavirus disease (COVID-19) outbreak has forced the authorities to stop air transport till March 31. Sources aware of the development said chief executive officers of airlines had asked the government to bear 50 per cent of three months' salaries of employees. The demand emanates from the government direction stating that companies shouldn't fire employees even if functions are stopped because of the pandemic. P12

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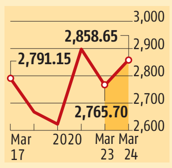
DELIVERY FOR E-COM FIRMS COMES TO A GRINDING HALT

PAGE 4
BS-VI GEAR SHIFT RESTS ON SC AS MAR 31 DEADLINE LOOMS

PAGE 4
CONTINGENCY PLANS AFOOT FOR POWER SECTOR

STOCKS IN THE NEWS

Dr Reddy's Laboratories

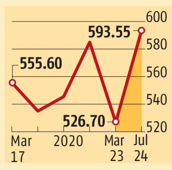


Board meeting on March 27 to consider fundraising plan

₹2,858.65 CLOSE

▲3.36% UP*

Infosys

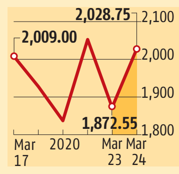


SEC gives the all-clear in whistleblower case

₹593.55 CLOSE

▲12.69% UP*

Hindustan Unilever

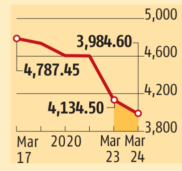


Acquiring hygiene brand VWash from Glenmark Pharmaceuticals

₹2,028.75 CLOSE

▲8.34% UP*

TTK Prestige

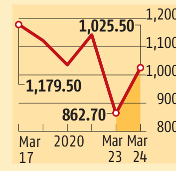


Shuts down operation at manufacturing units in Tamil Nadu till March 31

₹3,984.60 CLOSE

▼3.63% DOWN*

NIIT Technologies



Top gainers among the A group stocks

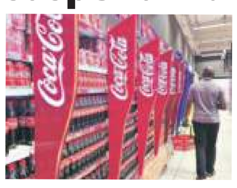
₹1,025.50 CLOSE

▲18.88% UP*

*OVER PREVIOUS CLOSE

IN BRIEF

Coke, other beverage makers suspend manufacturing



Coca-Cola said it has temporarily suspended production at its manufacturing facilities following the lockdown imposed by the government to prevent spread of COVID-19. But it will continue to produce essential beverages like water, juices, tea and coffee in a limited manner as per government guidelines. Pepsico's bottling partner Varun Beverages has also suspended production at its manufacturing facilities in view of the lockdown due to the coronavirus outbreak. Coca-Cola said, "In compliance with the government directive, we have temporarily suspended production at our manufacturing facilities. While, to the essential beverages, the company is "operating our manufacturing facilities in very small number complying to the local government's regulations and safety of all our employees," it said." PTI

Apollo Tyres, Ceat stop production until March 31

Apollo Tyres said it has suspended production at its plants till March 31 in view of the lockdown in many states to contain the coronavirus pandemic. "The operations at our plants in the states of Kerala (at Kalamassery and Perambra), Gujarat (Limda) and Tamil Nadu (Chennai) are shut down till March 31, 2020," the company said. PTI

Moody's reduces Indiabulls Housing's rating to B3

Rating agency Moody's has downgraded its measure for Indiabulls Housing Finance's corporate family rating and foreign currency instrument to 'B3' , from 'B2', on the expectation that the latter's access to funding will remain challenging for longer than earlier thought. BS REPORTER

Hero Cycles earmarks ₹100-crore contingency fund

Hero Cycles on Tuesday said it is setting aside ₹100 crore as a contingency fund to address and mitigate the impact of COVID-19 on partners and the community at large. The company is also reaching out to different state governments to offer all possible help, they added. Hero Cycles has also set up an emergency monitoring cell. PTI

Adani Tansmission buys back NCDs worth ₹125 crore

Adani Transmission on Tuesday said it has bought back non-convertible debentures (NCDs) worth ₹125 crore. "The company has bought back 1,250 rated, listed, secured, redeemable, non-convertible debentures having face value of ₹10 lakh each aggregating to ₹125 crore on March 23, 2020," the company said. PTI

Lockdown hits medicine supplies

Chemists' body seeks help from govt to ease logistical challenges

SOHINI DAS & GIREESH BABU
Mumbai/Chennai, 24 March

With a majority of India under lockdown, the going has got tough for providers of essential services, too. Medicine traders, for example, are facing a crisis of logistics.

The chemists' association reached out to the Department of Pharmaceuticals (DoP), state chief ministers and even to the Prime Minister's Office highlighting the challenges faced in transporting medicines.

Explaining the situation, Jagannath Shinde, president of the All India Organisation of Chemists and Druggists (AIOCD) that represents 850,000 chemists across India, said they had approached Prime Minister Narendra Modi to ensure that delivery does not collapse. "I had a video-conference with the Prime Minister and we have also written to the DoP, which has assured assistance," Shinde said.

There are around 300-400 large warehouses across the country that stock medicines and these are located on the outskirts of cities. Each warehouse is typically manned by around 100-150 persons. However, people are finding it difficult to commute now. About 4 million people are employed in the 850,000 chemists' shops across India and a few hundred thousand are involved in the distribution network.

The government needs to come up with a framework for drug distribution as about 600 districts are under lockdown, said Rajiv Singhal, general secretary of AIOCD. He added that the chemists' association had issued identity cards to all workers, but there were some problems on the ground. Hence, the AIOCD sent letters to chief ministers urging them to take necessary steps.

CORONAVIRUS PANDEMIC

For example, while pharmacists have ID cards, everybody at the shops is not a pharmacist. There are porters, computer operators and managers and all of them are required for the distribution chain to work smoothly, Singhal explained. Traders are unable to get people for loading and unloading consignments. Courier vehicles do not carry medicines alone, and transporter passes are, thus, getting held up.

Ankur Agarwal — founder and director of pharmacy chain Medkart that runs stores across Gujarat, Maharashtra and Rajasthan — said that not only were there hurdles to the movement of medicines with state and district borders closing down, but intra-city transport was affected as well. Additionally, employees were finding it hard to reach shops.

Around 20 per cent of staff at Medkart were absent, Agarwal said, adding, "People here commute on two-wheelers mostly and we have given uniforms to our staff, which is easing their transit. But in other cities like Mumbai, where even local trains are not functioning, the challenges are more," he said.

On top of this, he added that many neighbourhood drug stores were shut because of manpower issues.

K K Selvan, general secretary of the Tamil Nadu Chemists and Druggists Association (TNCDA), said there was a shortage of 10 per cent of employees at pharmacies. Selvan added that there was a 300 per cent increase in customers at stores.

DoP has taken note of the situation and asked chief secretaries of states and Union Territories to take necessary steps to ensure free movement of all those involved in dispensing and distribution of medicines — from retail, wholesale, and carry and forward (C&F) locations.

Singhal added that panic buying had made the situation worse. "Chronic patients are stocking medicines for 60-90 days now instead of 30 days. There is sufficient stock of medicines in the market," he said.

Till Saturday, most retailers were getting regular stocks from C&F agents. However, the lockdown had created issues over the past two days. AIOCD is worried that if immediate steps are not taken to ease the situation, the distribution system might get paralysed soon.

STEPS SUGGESTED BY AIOCD

- **Issue of photo-identity cards** by retailer, wholesaler and C&F agents
- **Request pharma firms to allow at** least 15-day extra credit for new invoices
- **Request drug firms to dispatch goods** only when courier and transport are operational
- **Delivery vehicles to have** posters or banners
- **Trying to ensure** that delivery does not collapse

Delivery for e-com firms comes to a grinding halt

PEERZADA ABRAR & SAMREEN AHMAD
Bengaluru, 24 March

The Indian e-commerce sector has come to a near standstill across the country, hurting the supply of essential commodities, amid lockdowns in several states and cities to prevent the spread of coronavirus, according to industry executives.

They said there is a lot of police action on the ground and even inter-state movement has been stopped, because of which deliveries of essential items via platforms, such as Flipkart, Amazon, Grofers, and Milkbasket, aren't happening. Food-delivery firms — Swiggy and Zomato -- are facing similar challenges, according to the sources.

"There are a lot of ambiguities. The authorities keep coming up with circulars which are contradictory to the previous ones," said an e-commerce industry executive. "It is more a miscommunication issue."

E-commerce companies are facing challenges in delivering essential items such as rice, wheat, pulses, baby food, milk and dairy products, and fruits and vegetables. The other important items include hygiene products such as soaps, sanitary pads, sanitisers, and masks.

As most of the people are working from home, e-commerce industry insiders said that etailers are also finding it a challenge to deliver items like power banks, laptops, routers, headsets, and tables and chairs to their customers, despite a tremendous increase in demand.

Heeding the challenges, the government of Karnataka on Monday put out an order saying that e-commerce and home delivery come under essential services and shall be excluded from the restrictions imposed to contain the spread of the virus. Maharashtra, too, put out an order saying that e-commerce services providing essential goods, including pharmaceutical and medical equipment, should be excluded from the restrictions.

According to the sources, other than essentials, for which demand is huge, most e-commerce categories are witnessing at least a 60 per cent drop in sales.

Many consumers have reported on community platform LocalCircles that deliveries from e-commerce grocery apps like Grofers, BigBasket, Amazon, and Flipkart are not reaching them. About 79 per cent consumers (increased from 35 per cent) could not get most of the essential goods via e-commerce apps because of the lockdown, according to a survey by LocalCircles, which received more than 16,000 responses from consumers. Also, about 32 per cent (increased from 17 per cent) consumers could not find most essentials in retail stores. "The state machinery must sensitise the police leadership so that officials on the ground do not create bottlenecks in the supply of essential goods to wholesale and retail stores, and homes of people," said LocalCircles. "The last thing we as a country want in this COVID-19 outbreak is long queues outside stores or scuffles for who gets to buy that last sugar packet in the store," stated LocalCircles, which is going to share its findings with the government.

Milkbasket, a Gurugram-based daily grocery delivery service, said the company's staff, vendors, and vehicles are not being allowed to ply on the road by local police, disrupting its operations. "Yesterday, we had to cancel thousands of orders. We could only operate at 40 per cent capacity in Gurugram. Even lower in Noida. We might have to cancel all the orders today, impacting over 150,000 families across 4 cities," the company had stated on Monday. "We are being told to shut down our distribution centres."

The company urged the authorities to look into the matter and support the firm in ensuring smooth service.

Online grocery firm Grofers said according to the directive of the central government, the firm continued to provide essential goods to customers across the country on the day of Janata Curfew. However, because of some confusion over the exemption of the services, many of its delivery riders were stopped and arrested, leading to a delay in the delivery of almost 60,000 orders countrywide.

"This does not only affect the morale of the delivery staff who are working selflessly to support people, but also causes inconvenience to many customers," said Albinder Dhindsa, co-founder and CEO of Grofers, which is backed by SoftBank.

Amazon halts sale of non-essential items

Prioritising servicing urgent items such as household staples, health and hygiene products, sanitisers, baby formula, and medical supplies, Amazon on Tuesday said that it is temporarily suspending accepting orders and disabling shipments for lower-priority products across India. For all pending orders on lower-priority products, the company is giving customers a choice to cancel their orders, and receive a refund for prepaid items.

SAMREEN AHMAD

Supplies dry up as *kiranas* cater to last-minute buyers

VIVEAT SUSAN PINTO & ARNAB DUTTA
Mumbai/New Delhi, 24 March

Kirana stores in and around the Santacruz and Chembur areas of Mumbai are stocked for now. But only just. The situation is no different in cities like Delhi and Gurugram.

As last-minute shoppers pick up groceries from bread to flour, soaps to noodles, anticipating longer shutdowns, Suresh *Kiranawala*, the proprietor of one of the corner shops in the Santacruz east area, says his inventory will be exhausted soon.

"I normally keep stocks for about eight days in my store. But since the coronavirus (COVID-19) pandemic, stocks have exhausted quickly, forcing me to seek replenishment every two to three days. New stock last arrived on Saturday, I have inventory left for the next 24 hours only," he says.

At Darshan *Kiranawala*, a corner shop some distance away from Suresh's store, items such as packaged flour, biscuits and soaps are no longer available. Darshan says he will exhaust whatever he has and wait for further supplies. "What's the choice I have? Transportation is a huge issue right now. The lockdown is hitting business hard," he says.

Pharmacies in Mumbai and Delhi are also struggling to replenish stocks of hand wash, hand sanitizers and shampoos. Conversations with multiple distributors and retailers of fast-moving consumer goods (FMCG) across Mumbai, Ahmedabad, Vadodara and Delhi indicate that traders are struggling to transport goods to retail points as police barricade busy roads and round up people those violating lockdowns.

"Factories are shut and there is no movement from warehouses to stockists, distributors and retailers," says C H Krishna, president of Federation of All India Distributors Association (FAIDA). "Sales will suffer as a result and small retailers will find it difficult to absorb the losses," he says. On Tuesday, Coca-Cola India and Nestlé India joined Dabur in announcing that they were scaling down and suspending operations at some plants in view of the lockdown. Coca-Cola said it would operate only in few plants.

Some other firms, such as Godrej Consumer and ITC, are notifying local authorities to allow them to continue manufacturing essential items at their plants, creating buffer stocks, and are working with their vendors to facilitate timely and uninterrupted supplies of inputs and packaging material.

Future group seeking buyers for insurance arm

DEV CHATTERJEE & SAMIE MODAK
Mumbai, 24 March

The Future group is looking for a buyer for its insurance venture to ease pressure on the promoter entities to pay off its debt. With the share prices of group companies falling rapidly on the bourses, the group is facing margin calls from banks to either expedite the sale of its insurance arm or sell more stakes in its operating firms, say bankers. The ongoing shutdown of retail outlets will further put pressure on the group as sales of operating companies fall, say analysts.

The total market capitalisation of the group's listed firms fell to ₹10,740 crore from ₹42,000 crore reported a year ago. At the same time, value of pledged shares fell by half to ₹8,100 crore a year ago to ₹3,868 crore currently. The group has to pay debt of ₹316 crore and ₹729 crore in FY21 and FY22, respectively.

Last week, the group's holding firm — Future Corporate Resources — was downgraded by rating firm, ICRA to junk status citing the high debt of its promoter entities.

The group sold several assets to reduce its debt, including a stake sale to Amazon. Their external debt reduced to ₹1,430 crore as of December 31, 2019. At the same time, the total debt at the group's listed firms went up to ₹12,778 crore as of September 30, 2019, from ₹10,951 crore as of March 31, 2019.

LOOKING FOR HELP

	As on 24/03/2019		
	Pledged (Value ₹ cr)	Price in ₹	M-cap (₹ cr)
Future Consumer	737.1	9.0	1732.8
Future Supply	276.6	134.8	591.6
Future Lifestyle	1,399.3	151.6	3,057.9
Future Retail	1,455.3	101.6	5,358.4
Total	**3,868.3**		**10,740.7**

as % of total Equity; Source Capitaline; Compiled by BS Research Bureau

'Making efforts to develop antibody-based test kits'

In view of the COVID-19 pandemic, the government has given clearance for the manufacturing of PCR (polymerase chain reaction)-based kits in India to detect the virus. There are other methods, such as antibody-based tests — which are faster and suitable for large-scale screenings. In an interview, Biocon CMD **KIRAN MAZUMDAR-SHAW** tells **Samreen Ahmad** her company's research arm Syngene is working towards developing such kits. Edited excerpts:

"WE HAVE TO PREVENT THE SPREAD WITHOUT A VACCINE AND THE LEAST THAT EVERY CORPORATE CAN DO IS TO ENSURE THAT IT REDUCES THE OFFICE-GOING OR FACTORY GOING STAFF TO THE MINIMUM"

Q&A

The government has allowed private labs for testing of coronavirus. Is the price cap of ₹4,500 reasonable?

It is very reasonable because this price cap has been derived from the cost of imported kits.

What other steps should the government take to encourage private participation?

We need to test more people, so opening it up for private labs was a very important step. Next, the government needs to allow treatment by private hospitals because we are going to be overwhelmed by the need for hospital beds. There are simply not enough beds in government hospitals. We will need a large number of medical professionals and without the private sector's involvement, the government won't be able to expand capacity.

What role can corporate India play to contain the COVID-19 pandemic?

We have to prevent the spread without a vaccine and the least that every corporate can do is to ensure that it reduces the office-going or factory going staff to the minimum. Also, those who can afford to shut down should do that for two weeks. Corporates can contribute to a large number of financial needs related to control the spread of the disease. CSR (corporate social responsibility) should be directed towards testing, purchasing ventilators, and all the resources required for dealing with the disease. This is about the whole of India cooperating in terms of the lockdown. Until we get a treatment, it is difficult to contain this pandemic. So the only way to control it is to have a massive lockdown, which is what the government has done. Except for essential services, everyone should be asked to work from home.

What is the rapid diagnostic test for COVID-19 that Biocon is working on?

There are several tests which can be developed to detect the virus. Indian labs have done well by coming up with real-time PCR kits. Our lab and players like CoSara can manufacture hundreds of thousands of kits per week. Hopefully, those kits will be able to increase the testing significantly. There are also antibody-based kits, which allow rapid tests. They can quickly tell three things -- one whether you are infected; two, whether you are infected and recovering; and whether you have recovered. These kits are even more accurate than PCR tests as they also indicate the phase of recovery. We are making efforts at Syngene to develop these antibody-based tests.

How important is it to create a database of COVID-19 patients?

We need to learn from the COVID-19 situation and get well-analysed data to understand who did badly and who did well. Epidemiological data is very important in a pandemic as it explains how the disease spread, why it spread, was it to do with living conditions, poor sanitation, poor health or ageing. All these need to be analysed. If we don't have a database, which captures all of these, we will just get numbers.

What should be done to strengthen the pharma and biopharma industry to make them ready for a pandemic in the future?

Every country in the world today realises that it has neglected communicable diseases. Most of the R&D budget is only going into researching non-communicable diseases, such as diabetes, cancer, and neurological diseases. Very little money goes into infectious diseases because it is considered to be a developing world problem. The world has now realised that because of travel and globalisation, infectious diseases can spread fast. Advanced countries, such as Italy, the US, and France, are reeling from the spread of COVID-19 and this shows their unpreparedness. Therefore, it's really important to research infectious diseases and be prepared for the future and come up with a rapid response to the next epidemic. We need to invest a lot in life sciences, and areas of infectious diseases and microbial-borne diseases. Companies need to be incentivised and supported by the government for this.

What will the post-COVID-19 world look like?

I hope we become a cleaner country and think of work-from-home kind of models much more seriously. I also hope washing of hands regularly becomes a post-COVID-19 necessity.

BigBasket acquires online milk delivery start-up DailyNinja

PEERZADA ABRAR
Bengaluru, 24 March

Online grocery firm BigBasket on Tuesday announced 100 per cent business acquisition of online milk delivery app DailyNinja. The company did not reveal details of the financial transaction. It said the acquisition will enable BigBasket to consolidate its leadership position in the subscription delivery space in Bengaluru.

DailyNinja currently caters to around 110,000 customers transacting daily and will augment the company's essentials-focused delivery service BB Daily's extensive non-milk range.Business with small traders is a growing part of BigBasket's business.

DailyNinja currently has a large network of milkman partners. "This will enable us to expand our offerings under BB Daily," said Hari Menon, co-founder and chief executive officer (CEO), BigBasket, adding, "Our relationship with key national brands as well as the supply chain built over the years will help us deliver a strong value proposition to them. We also aim to improve delivery productivity and achieve break-even sooner than planned."

Sagar Yarnalkar, CEO and co-founder, DailyNinja, said the acquisition is a great outcome for all of its team members, shareholders, and founders. "When we started DailyNinja five years ago, BigBasket was the company we were hoping to emulate, and we are excited to be part of the BB (BigBasket) family now," said Yarnalkar.

TECLOS DIAL GOVT

Telcos face a big challenge to keep India Inc connected

MEGHA MANCHANDA
New Delhi, 24 March

Companies have activated a comprehensive pandemic response plan with requisite risk mitigation protocols for keeping networks working as telecom is an essential service

Telecom companies are dealing with an unprecedented challenge, other than COVID-19 — of providing seamless internet services for a smoother work-from-home for India Inc. In a bid to do this at the available capacity, Bharti Airtel and Vodafone Idea have said they are doing everything to keep the situation under control. Companies have activated a comprehensive pandemic response plan with requisite risk mitigation protocols for keeping networks working as telecom is an essential service.

It is learnt that Airtel has a full-fledged contingency plan in place to deal with any event. This includes quarantining any of the company's critical network operating centres and call centres, among others.

The company has enabled each location to operate in a distributed as well as virtual way.

Every team has also been broken into two in order to reduce the number of people on a site and make the workplace safer. The company has started the process of monitoring and managing networks from different locations in case any geography is not accessible for some time. It has also enabled work-from-home for its employees through secure connections.

"Airtel's networks are in business continuity planning mode and are fully prepared to support any exigency. Our mobile, fixed broadband, DTH and fibre networks are fully geared up to serve customers in the emerging scenario," said Randeep Sekhon, chief technology officer (CTO), Bharti Airtel.

All operations are running smoothly with over 80 per cent employees working from home seamlessly, he said.

A comprehensive pandemic response plan with requisite risk mitigation protocols has been activated while ensuring continuity of mission critical processes for keeping our networks working as telecom is an essential service, Sekhon added.

"We are strictly adhering to the government's instructions while operating the telecom network uninterruptedly as an essential service during this crisis," a Vodafone Idea spokesperson told *Business Standard*.

Vodafone Idea has a litany of flexible work policies that enable flexible working hours, work from home and working from different locations across the organisation. "This has allowed us to respond quickly to the current situation by enabling our workforce to adopt alternative forms of work. Majority of our staff members across offices are working remotely from home," he said. The firm is also reviewing its business continuity plans across all operations. "Our centralised network monitoring facilities, across multiple locations like Pune and Hyderabad, have been prepared for any kind of emergency evacuation due to the corona threat at any particular building," Vodafone Idea said.

"Adequate provision has been made to provide resources, enabling work from home for technical teams working across these facilities. This is to enable undisrupted services to our customers 24X7, it added.

All of the company's enterprise services continue to be monitored through our own network operating centres and operations to ensure business continuity, Vodafone Idea said. The spokesperson added, "We are continuously monitoring the traffic pattern and are confident of handling the growing demand of voice and data services during the lockdown."

On Monday, the Cellular Operators' Association of India (COAI) asked the Centre to instruct over-the-top players like Netflix, Amazon Prime Video and Zee 5 to take steps for easing the pressure on network infrastructure. This pressure is due to increased demand for online video streaming, amid lockdown and quarantine measures.

COAI has also approached streaming platforms, cautioning them about surge in digital use, thus straining network infrastructure of telecom operators. It urged companies to take urgent steps like temporarily switching to SD (standard definition) from HD (high definition) streaming, removing high bandwidth- consuming advertisements and pop ups, and replacing them with public announcements on awareness regarding the virus.

In a letter to the telecom department secretary, COAI has said, "Due to lockdown and quarantine measures in parts of the country, a sudden surge in demand and for online video streaming is also expected."

Firms demand higher spectrum allocation

SURAJEET DAS GUPTA
New Delhi, 24 March

Telecom operators have demanded additional spectrum urgently on a temporary basis from the government, with traffic surging 15-20 per cent from Sunday.

They say such a move will help them cope up with the unprecedented increase in data usage as a result of "work from home" and "self-quarantine" across the country.

A senior executive of a telco that saw a spike in data traffic, said: "We saw a huge spurt of 15-20 per cent in dense areas on Sunday, when there was a call by the Prime Minister to stay home." Last week, the traffic stood at only 10 per cent, according to feedback given by telcos to the Cellular Operators Association of India (COAI).

CORONAVIRUS PANDEMIC

In a letter to the Department of Telecommunications (DoT), the COAI has demanded additional spectrum for both "access and backhaul microwave" for a short term, and temporarily as they need to augment their capacity to meet the growing demand.

COAI Director General Rajan S Mathews, however, said they were still waiting for a response from the government.

The COAI has also sought expedited permission from the DoT for tower enhancement from states (as they ramp up capacity), extension in minimum roll-out timelines by six months, and consent to go for digital acquisition of new customers instead of physical documentation (will reduce time to on-board customers) — given the sharp rise in new subscribers.

According to BofA Global Research, India's fixed broadband penetration is only 6 per cent. Thus, bulk of the pressure due to the work-from-home traffic (around 70 per cent of total traffic) is expected to be on the cellular network.

India has only 19 million fixed broadband users compared to 630 million (3G and 4G) users. Analysts say operators like Airtel are not charging for installation or security for new customers of fixed broadband, while ACT has upgraded speed to 300 Mbps at no extra cost. BSNL, meanwhile, is offering free-of-charge broadband for a month to those who have a BSNL landline.

Analysts say operators like Airtel are not charging for installation or security for new customers of fixed broadband, while ACT has upgraded speed to 300 Mbps at no extra cost

The demand from COAI is valid, considering that the Federal Communications Commission in the US has granted AT&T, Verizon, T-Mobile, and US Cellular temporary access to more spectrum to enable them to increase their wireless capacity for around 60 days. DoT, which is planning to go for a mega spectrum auction, has no shortage of airwaves in various bands from 700Mhz to 1800Mhz, besides the 5G spectrum that it could release in times of crises.

Mobile networks have been working at 60-65 per cent capacity. However, the COVID-19 impact has sent their traffic up 20 per cent. While the COAI says it still has capacity, a long lockdown of cities and offices could lead to more pressure on the network, and might call for more temporary spectrum capacity.

COAI has already received a positive response from over-the-top platforms, which consume about 30 per cent of their network capacity to use less bandwidth.

Flipkart halts new orders from Tuesday night

Flipkart will stop taking orders on its site starting from Tuesday night, according to internal communication. "We want to first disable taking all orders and then start enabling categories in a sequential manner," Adarsh Menon, senior vice-president, Flipkart said. The directive follows Prime Minister Narendra Modi's late Tuesday announcement of a 21-day nationwide lockdown to contain the spread of the coronavirus. BS REPORTER

YouTube, Netflix, FB reduce bit rate to mitigate network congestion

YouTube, Netflix and Facebook are reducing bit rates for videos on their platforms in India as part of their efforts to help mitigate mobile and broadband network congestion amid the coronavirus pandemic.

Netflix said it will reduce traffic on telecommunications networks by 25 per cent while maintaining the quality of service for users in India, while Facebook said it will temporarily reduce bit rates for videos on Facebook and Instagram in India. YouTube said it is temporarily defaulting all videos on YouTube to standard definition.

Companies like Amazon Prime Video have also lowered bit rates, a measure of how much data is being transferred, to ease pressure on telecom network infrastructure.

Consumption of digital content has gone up manifold as people are forced to stay indoors as almost the entire country is under lockdown to contain the spread of the deadly COVID-19. "We continue to work closely with governments and network operators around the globe to do our part to minimise stress on the system during this unprecedented situation. Last week, we announced that we were temporarily defaulting all videos on YouTube to standard definition in the EU. Given the global nature of this crisis, we will expand that change globally starting today," a Google spokesperson said. PTI

Infosys gets clean chit from US regulator

DEBASIS MOHAPATRA
Bengaluru, 24 March

Infosys, the country's second-largest software services exporter, has been fully cleared by the US Securities and Exchange Commission (SEC) on the so-called 'whistle-blower' charge of last year that had alleged wrongdoing by the top management.

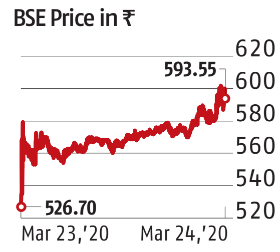
"The company received a notification that the SEC has concluded its investigation and the company does not anticipate any further action by the SEC on this matter," it told the stock exchanges. "The firm has also responded to all the inqires received from the Indian regulatory authorities and will continue to cooperate (on) any additional requests."

In late October 2019, a 'whistle-blower' letter went public. It alleged the company's chief executive and finance head were guilty of inflating the growth numbers through accounting irregularities. Infosys' audit committee had the charge investigated and concluded this January that the allegations had no factual basis.

"We are comfortable that we have had a very thorough and comprehensive investigation, which will put us in good stead when we engage with them (SEC)," Chairman Nandan Nilekani had said after the internal investigation found no wrongdoing. After the SEC okay, the shares of Infosys surged 14 per cent to close at ₹600 at the National Stock Exchange.

"Definitely, there was an overhang over the stock, which is now gone with the SEC clean chit. So, apart from the near-term concerns over coronavirus, the company will post industry-leading growth numbers once this issue settles down," said Sanjeev Hota, head of research at Mumbai-based brokerage Sharekhan.

INFOSYS
BSE Price in ₹



Source: Exchange

He, however, said that as with its peers, the Bengaluru-headquartered firm is likely to see delays in signings of large deals. Apart from fall in discretionary spending by clients, owing to the global virus spread.

The information technology industry is staring at a demand slowdown. Many developed countries, including America, have started to see establishments shutting down, to ensure social distancing to fight the virus' spread. As a result, reports suggest, deal signings worth $3-4 billion have been deferred in this month alone.

Hotel owners consider salary cuts

SHALLY SETH MOHILE & SHREEPAD AUTE
Mumbai, 24 March

QUICK VIEW

- **Ferns Hotels to cut salaries** of top and senior management next month
- **Companies with high debts** more vulnerable, say analysts
- **Hotel occupancy** across the country is down **40 per cent** YoY
- **ICRA downgrades the hospitality sector** outlook to negative from stable

Hotel owners may be forced to go for steep salary cuts at the top and senior management levels amid lockdowns in some cities and low single-digit occupancy in several others.

With no immediate end to the coronavirus pandemic in sight, most of them are preparing for an unprecedented crisis in their businesses. For hotels (in all segments), while domestic business travellers form 76-77 per cent of their customers, foreigners' share is close to 23-24 per cent. Following the outbreak and a rapid increase in coronavirus cases, occupancy at hotels across the country have seen a 40 per cent drop year-on-year (YoY) for the current month and cancellations are at an all-time high, according to ICRA estimates.

The credit rating agency has downgraded the outlook on the hospitality sector to negative from stable.

Unable to take the losses, some like Ferns Hotels & Resorts have already decided to bite the bullet on salary cuts. "From April onwards, we will have to look at salary cuts. We will start with the top management level, with pay cuts of 50 per cent, going down to the manager level. We will not touch the lower staff level," said Suhail Kannampilly, chief operating officer at Ferns Hotels & Resorts. Except for three properties in Mumbai, which are being used as quarantine centres, Ferns' 18 hotels are shut, said Kannampilly, adding that hotel chains' accumulated losses currently stands at ₹35 crore.

ICRA expects some correction in room rates in the months ahead, but it would be lower than the occupancy rate correction. Others are also bearish in their outlook. India Ratings estimates the occupancy at mid-scale and two-star hotels to fall to 30 per cent-40 per cent, and that of four-star hotels and above categories to 20 to 25 per cent for three months, beginning March.

This slowdown comes at a time when hotels usually enjoy peak season occupancy because of vacations and weddings, before the onset of the monsoons. Hence, any disruption in operations is likely to substantially impact the full-year operating performance of hotel companies.

Sanjay Sethi, MD and CEO at Chalet Hotels, said though Chalet is not looking at job or salary cuts as of now, "everyone will have to pitch in when the time comes". The owner, developer and asset manager of premium brands, such as Renaissance, Marriott, Westin, and Novotel — in Mumbai, Bengaluru, Hyderabad, and Pune — too, suffered a severe knock in terms of occupancy.

"On the business side, a few rental assets we have under Chalet are helping. That mitigates the risks for us. We are doing everything we can to pare fixed and variable costs. Employee salary is the last thing we will touch. Our employee-to-room ratio has always been very efficient," said Sethi.

Vineet Verma, executive director of Brigade Hospitality, which manages the assets of brands, including Sheraton Grand, Four Points, and Holiday Inn, said though salary cuts are not on the agenda now, if the situation persists, the company will have to exercise that option. "We do not want to cut salaries at this stage and lay off people as such knee-jerk moves don't help," said Verma.

All Brigade Hospitality's properties are operating at 20-25 per cent capacity; occupancy at some of its properties are down to single digits. Verma said if the current cost-containment moves do not help, Brigade will have to shut some of its hotels temporarily. Servicing the debt on its book is another challenge for Brigade. "We are working on a war-footing to see how we can handle that," said Verma.

Archana Gude, an analyst at IDBI Capital, said: "While the entire sector will see the impact of the current situation, firms with high leverage would be under more earnings pressure."

Thus, any extension to service debt obligations, as many industry/market experts expect, will give some relief to the sector, she said.

The hotel industry body in a letter to Prime Minister Narendra Modi last week had sought relief. Nakul Anand, executive director-ITC Hotels & chairman, Federation of Associations in Indian Tourism & Hospitality, sought his help in several issues, including possible bankruptcies and mass unemployment, and asked for relaxation of certain norms pertaining to the sector's business.

As much as 70 per cent out of a total estimated workforce of 55 million (direct and indirect) may be left unemployed.

"I assure all the countrymen that there will be no shortage of essential commodities in the country during the time of lockdown"

AMIT SHAH, Union home minister

"The Supreme Court should re-state the cardinal principles of a Writ of Habeas Corpus so that citizens and judges will have no misunderstanding of the law"

P CHIDAMBARAM, Congress leader and former finance minister

"We are standing on the threshold of an exceptionally unnatural situation. We have decided to extend the complete safety regulation to the entire state till March 31"

MAMATA BANERJEE, West Bengal CM

BS-VI gear shift rests on SC as March 31 deadline looms

JYOTI MUKUL & SHALLY SETH MOHILE

New Delhi/Mumbai, 24 March

India's transition to more stringent automobile emission norms from April 1 has been clouded by the coronavirus disease (COVID-19) outbreak, but any decision to extend the deadline can only come from the Supreme Court.

A senior government official told *Business Standard* that the government would consider an extension only on the apex court's directions.

Federation of Automobile Dealers' Association (Fada) and a couple of two-wheeler manufacturers — including market leader, Hero MotoCorp, and Honda Motorcycle and Scooter India — had last week petitioned the court seeking an extension of the deadline for shifting to the Bharat Stage (BS)-VI emission norms in the wake of COVID-19, as automobile companies could not sell BS-IV inventory in March. The matter has so far not been listed for hearing.

Dealers are hoping their petition will be heard this week, though sources said it was unlikely to come up before March 31.

The Supreme Court had on March 13 curtailed hearings because of COVID-19 and announced that it would hear only urgent matters. In February, the court rejected a plea for extension, following which Fada asked dealers to sell remaining stock of BS-IV vehicles by March 31.

According to CRISIL's estimates, passenger vehicle dealers have unsold stock of two to five days, light commercial vehicles of four to eight days, medium and heavy commercial vehicles of up to four days, and two-wheeler makers of 12-16 days.

However, automobile manufacturers are divided over this proposal.

On October 24, 2018, the Supreme Court had upheld the government order that no motor vehicle conforming to the older BS-IV emission norms could be sold or registered in the country from April 1, 2020.

Fada on December 18, 2019, petitioned for an extension of the last date because of the financial hardships faced by firms as a result of the economic slowdown. It sought one extension by a month to clear BS-IV inventory. Hetal Gandhi and Pushan Sharma, analysts at CRISIL Research, expect COVID-19 to "land a double whammy on the sector". First, earlier-than-anticipated closure of RTOs could lead to unsold BS-IV inventory. And second, lower-than-anticipated retail sales would result in higher-than-normal BS-VI inventory for large OEMs at the start of fiscal.

Under a government notification dated February 20, 2018, a sub-rule was inserted in Rule 115 of the Central Motor Vehicle Rules, 1989, which said new motor vehicles conforming to BS-IV manufactured before the April 1, 2020, shall not be registered after the June 30, 2020.

An extension for registration till September 30, 2020, was given for BS-IV vehicles manufactured before the April 1, 2020, and sold in the form of drive-away chassis.

The October 2018 court order said manufacturers were not willing to comply with the March 31, 2020, deadline not because they do not have the technology but because the use of technology will lead to increase in the cost of the vehicles which may lead to reduction in sales of the vehicles and ultimately their profit.

"There can be no compromise with the health of the citizens and if one has to choose between health and wealth, keeping in view the expanded scope of Article 21 of the Constitution, health of the teeming millions of this country will have to take precedence over the greed of a few automobile manufacturers," the SC had said.

SLIPPERY ROAD

- Government likely to consider an extension only on the Supreme Court's directions
- Fada and a couple of two-wheeler firms had last week petitioned the court, seeking an extension of the BS-VI deadline
- Dealers hoping plea will be heard this week; sources say it is unlikely to come up before March 31
- The Supreme Court had on March 13 curtailed hearings because of COVID-19 and announced that it would hear only urgent matters

CORONAVIRUS PANDEMIC

Extension of BS-IV cut-off date will be unjust: Rajiv Bajaj

Rajiv Bajaj, managing director of Bajaj Auto, opposed plans to extend the deadline for clearing stocks of Bharat Stage (BS)-IV vehicles by the end of this month, saying such a move would unjustly penalise those who have complied with the law in letter and spirit.

Bajaj suggested defaulting firms reimburse their dealers for such stocks, if any, on April 1.

The statement comes in response to some of Bajaj's competitors indicating that they plan to urge the government to extend the deadline because of the closure of dealers and lack of potential customers as a result of shutdowns across the country because of COVID-19. Bajaj said, "Despite the impact of COVID-19 Bajaj expects to clear all of its BS-IV stocks by the end of this week through a combination of strong and timely promotional interventions by the company, supported equally and ably through on ground activation by its leaders." He said his firm objected "to any extension for BS-IV stocks as this unjustly (penalises) those who have complied with the law in letter and spirit".

Two-wheeler manufactures have been offering hefty discounts to sell existing BS-IV vehicle stocks, especially of mobikes, for over a month.

Bajaj suggested that action should be taken against defaulting original equipment manufacturers (OEMs). He said: "In our view, defaulting OEMs must reimburse their dealers for redundant BS-IV stocks, if any, on April 1."

Recently, the Supreme Court refused to hear a plea by the Federation of Automobile Dealers Association asking for an extension of the deadline till May 31. SURAJEET DAS GUPTA

"DEFAULTING OEMs MUST REIMBURSE THEIR DEALERS FOR REDUNDANT BS-IV STOCKS, IF ANY, ON APRIL 1"

Govt orders cash transfer to construction workers

SOMESH JHA

New Delhi, 24 March

In a major step to help the unorganised sector tide over the COVID-19 pandemic-induced lockdown, the central government on Tuesday directed states to transfer cash into the bank accounts of construction workers from the unutilised welfare funds earmarked for them.

Additionally, to provide relief to employers, the government also extended the last date for filing returns under eight labour laws and 10 central rules for 2019 till April 30.

The central government will not initiate legal action against establishments if they failed to file returns till February-end because of the pandemic, stated the March 20 letter by the chief central labour commissioner.

Labour and Employment Minister Santosh Kumar Gangwar wrote a letter to all chief ministers (CMs) of states and Union Territories, urging them to utilise ₹52,000 crore lying vacant in the building and other construction workers welfare cess fund. There are about 35 million construction workers registered under the Building and Other Construction Workers Welfare Cess Act, 1996.

The cess fund is maintained by state governments which also maintain a register of construction workers in their region. The states are required to frame schemes for the welfare of construction workers related to medical needs, pension, loans for construction of houses, insurance, education of children, maternity benefit, among others. However, various state governments have not utilised the funds. The Supreme Court has pulled up both the Centre and states for this.

In a rare move, the government has invoked Section 60 of the Act to issue directions to state governments to frame a scheme "for transfer of adequate funds to the bank accounts of construction workers, through the direct benefit transfer mode".

"The amount to be granted to construction workers may be decided by the respective state governments and Union territories. The financial assistance at this point in time would help to mitigate the financial crisis of construction workers to some extent and boost their morale to deal with this epidemic," the letter issued by the labour minister stated.

A senior labour ministry official said the country has about 50 million construction workers and the states can also launch a drive to register more workers under the Act, so that the rest of the unaccounted construction workers are able to take benefit of the cash transfer.

Some state governments have already announced relief to workers by utilising money from the cess fund. Punjab CM Amarinder Singh has declared an immediate relief of ₹3,000 to each registered construction worker in the state; Himachal Pradesh will also provide one-time relief of ₹1,000 to such workers.

Due to lockdown announced by several states, economic activity, except those involved in essential services, has taken a hit, with potential to impact India's unorganised sector workers the most, given they do not have any social security cover at the moment.

LAST DATE FOR FILING RETURNS FOR 2019 EXTENDED UNDER EIGHT LABOUR LAWS AND 10 CENTRAL RULES TO APRIL 30

UP TRANSFERS CASH TO 0.6 mn DAILY EARNERS

The Uttar Pradesh government on Tuesday started providing cash to daily wage earners. In the first phase of the cash handout scheme, it has transferred ₹1,000 each to nearly 600,000 beneficiaries, totalling ₹60 crore, directly into their bank accounts. Chief Minister Yogi Adityanath formally launched the transfer of the relief amount through public sector Allahabad Bank. The payment to the remaining beneficiaries would be made as and when their details are collated, said UP additional chief secretary Avanish Kumar Awasthi. VIRENDRA SINGH RAWAT

DELHI GOVT TO GIVE ₹5K TO CONSTRUCTION WORKERS

The Delhi government will give ₹5,000 to every construction worker as their livelihood has been affected due to the coronavirus disease outbreak, CM Arvind Kejriwal announced on Tuesday. He said no new case of had been reported in Delhi in the past 40 hours, and the earlier number of virus-infected patients had gone down from 30 to 23. He said a five-member doctors' panel had been constituted to suggest a plan to if Delhi enters stage 3 of the pandemic. The panel has been asked to submit its report in 24 hours, he said. PTI

Contingency plans afoot for power sector

SHREYA JAI & AMRITHA PILLAY

New Delhi/Mumbai, 24 March

With India going into a complete lockdown, power generators (gencos), suppliers, and grid operators are entering the contingency mode to ensure seamless supply with minimum manpower. While the country's largest power generator, NTPC, initiated an emergency plan a week ago, Power Grid Corporation of India (PGCIL) has shifted complete to remote operations.

The most important part of the power supply chain — power grid operator POSOCO and its five load dispatch centres (LDCs) — are acting on a detailed contingency plan. The LDCs —located in five regions — monitor, schedule, and forecast the supply of power in their respective regions.

The contingency plan prepared and circulated on Monday enlisted a 15-point agenda for "ensuring supply and grid security in the wake of the COVID-19 pandemic outbreak". This included having reserve manpower for operating in case of any emergency and establishing temporary control rooms at every LDC.

"Adequate reserve generation may be kept on bar to take care of any contingency in respective systems. However, during low-demand period, sufficient backing down/reserve shutdown may be restored to," said the advisory.

To ensure steady availability of power in case of sudden ramping up or down, hydro and gas run power stations have been asked to be on standby. Unlike coal, solar, and wind stations, hydro and gas can be switched off and on instantly. "Hydro stations are advised to execute orders of LDCs swiftly so that ramp requirements during exigencies may be fulfilled. These stations are advised to maintain healthy operations," said the advisory. All transmission line licences — including Power Grid and private players like Sterlite Grid, Adani Transmission, etc — have been advised to avoid planned shutdowns and execute any instruction from the LDC promptly. The system is also gearing up for an impending fall in demand. With industrial and commercial centres closed, electricity demand may slump.

On Sunday, during the janata curfew, demand fell 16.41 per cent over the previous day. Sunday was also not a working day for most manufacturing units. On Monday, the first working day under a near countrywide lockdown, demand rose by close to 1,000 Mw but was lower by 10 per cent over Saturday.

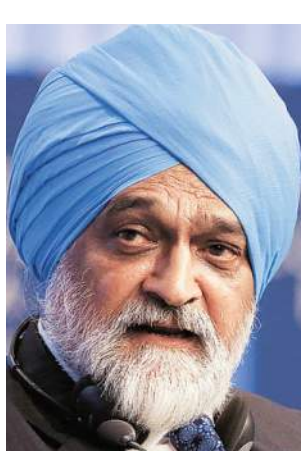
Adani Electricity Mumbai (AEML) said power consumption marginally reduced by 1 million units a day, during last week. It also said peak demand reduced to 1,437 Mw on March 20, as against an average peak demand of 1,500 Mw. Mumbai started moving towards a lockdown in a phased manner, starting last week.

In the national capital, power demand on Monday was less by around 32 per cent over the previous Monday. Delhi's power demand stood at 2,294 Mw on Sunday, and 2,471 Mw on Monday.

Despite the demand slump, senior NTPC executives said all generation units will function normally with less staff.

Economy doctors' COVID-19 prescription

Economists Montek Singh Ahluwalia, C Rangarajan, and Pronab Sen had played a pivotal role in fixing the 2008-09 crisis. They say the current crisis is different from the one a decade ago and requires a different set of prescriptions. **INDIVJAL DHASMANA** finds out



MONTEK SINGH AHLUWALIA

Deputy chairman of the erstwhile Planning Commission

We are facing a health emergency that also has serious economic effects. It is unprecedented and so there is no rule book.

The first priority has to be health and since there isn't yet a vaccine or curative therapy, the only way of avoiding massive infections is lockdowns and social distancing. This will be disruptive. We do not really know how long this disruption will last. But it is bound to spill over beyond the end of March.

The economy was limping even before the crisis and it will now do much worse. The usual source of information about the global economy is the International Monetary Fund. It has not updated its somewhat upbeat forecast made in January before the pandemic but independent analysts now project negative growth for the world for two quarters at least.

The highly adverse negative global environment will depress our performance. To this we have to add the domestic disruption from lockdowns and loss of income and uncertainty about the future ... we can try to start recovering in the third quarter of 2020-21.

Health will involve more expenditure and the Central government has to help the states. We need to take steps to expand social security to help informal-sector workers who will lose jobs and income. Business also needs to be supported through credit expansion and regulatory forbearance. Otherwise, there will be a string of bankruptcies, which would be a system failure.

The fiscal deficit will exceed the Budget target not just because of additional health expenditure but because revenues will fall short, with GDP growth being very low. We can worry about bringing the deficit under control through a credible medium-term strategy once the downturn is arrested. For the present, the focus of fiscal, monetary and credit policy must be to limit damage.

Hopefully the group under the finance minister, working along with the RBI, will come up with concrete proposals very soon.

"BUSINESS ALSO NEEDS TO BE SUPPORTED BY EXPANDING CREDIT AND REGULATORY FORBEARANCE... THE FOCUS OF FISCAL, MONETARY AND CREDIT POLICY MUST BE TO LIMIT DAMAGE

C RANGARAJAN

Former chairman of the Prime Minister's Economic Advisory Council

The 2008-09 crisis was a typical economic crisis. It started with the collapse of financial institutions, then it affected the overall economic situation and it engulfed the world, including India. Currently, external demand is falling, domestic demand is going down, and there are disruptions to the supply chain. It is here that the RBI and the government should take the measures.

A) Reserve Bank of India

i) Banks will face a situation in which repayments of loans will be delayed and so a certain amount of regulatory forbearance becomes necessary. This can be in terms of relaxing the rules of what constitute non-performing assets (NPAs). Income-recognition norms need to be relaxed. This must apply to bank loans to all sectors and all sizes, not only micro, small and medium enterprises (MSMEs) but also large companies.

ii) The RBI must supply more liquidity to the banking system. It has already taken some steps. Besides open-market operations, it has started long-term repos. In 2008, the US Fed bought corporate bonds. That is not permitted in India. But banks are holding government securities. So it is possible for them through open-market operations and other standard techniques to provide additional liquidity to the banking system.

iii) The policy rate needs to be brought down. But it is a double-edged sword. Some people are dependent on interest income on deposits.

B) Government

i) It must incur all expenditure necessary to combat the virus — expenditures for testing not only in government hospitals but also private ones. There should be additional isolation wards in hospitals, arrangements for more masks, sanitizers, etc. It should also incur the cost of importing equipment for testing.

ii) There are industries that are particularly affected — travel, transport, hospitality, etc. Some help needs to be provided to them. The government must defer dues such as excise duty and licence fees.

iii) Advice should go from the government that businesses should not retrench workers, which it has done. But certainly some people will be thrown out of employment. There should be cash transfer. Some state governments are doing it. The government should do what it does at the time of drought and flood. In collaboration with non-government organisations, it should provide basic amenities like food and clothing and certain other things.

"THE POLICY RATE NEEDS TO BE BROUGHT DOWN. BUT PLEASE REMEMBER THAT IT IS A DOUBLE-EDGED SWORD...

PRONAB SEN

Former chief statistician

The 2008-09 crisis originated essentially in the financial sector but it affected global trade — the second part is very similar to what is happening currently. However, within the country we were relatively insulated then. So, most of the losses we took in terms of GDP growth came from exports that time. Generally, it is believed that exports constitute 20 per cent of GDP. But this is not correct. Exports are in the manufacturing sector so you should look at value added; this comes to about 5 per cent of GDP. What we are looking at now is that because you have restrictions on everything other than essentials, you are looking at industry, which is closed and constitutes 15-20 per cent of GDP. So, the effect of the crisis on GDP is much larger now than in 2008-09. And then second-round effect is going to be there in the way which was also there in the earlier crisis.

The kind of V-shaped recovery we had in the aftermath of the earlier crisis was because of the demand the government pumped in through fiscal measures. Now, the hit you are essentially witnessing is the supply-side problem because you are forcing industry to simply shut shop. So a demand boost would not really solve the problem. In fact, nothing is going to happen until the contagion is checked. The only thing we can now do is to focus on the income hit that has taken place.

The requirement of cash will not go down. You and I can buy essentials through the credit or debit card, but not all. So liquidity management should be clearly the RBI's first step.

The second issue is force majeure. You have essentially asked industries to shut shop. Their revenue flow has come to a stop. Unless industries have large retained earnings on their balance sheets, they will simply not be able to service their debts. It is extremely important for the RBI to go for forbearance of asset recognition, and hold it off till it starts counting again. The RBI should keep it open-ended and not classify any assets as NPAs. It should re-set the zero date from which the clock will again start ticking. It will lead to lots of pressure on banks because they will have to pay interest on deposits but will not be able to earn interest on a very large chunk of their assets. Eventually, the government, through fiscal measures, will have to pump money into the banking system.

"LIQUIDITY MANAGEMENT SHOULD BE CLEARLY THE RESERVE BANK'S FIRST STEP. THERE SHOULD NOT BE A SHORTAGE OF CASH

FM offers relief measures, says bigger steps to follow

ARUP ROYCHOUDHURY & SOMESH JHA
New Delhi, 24 March

Finance Minister Nirmala Sitharaman on Tuesday extended the deadline for filing tax returns by three months beyond March 31. She also announced a slew of regulatory and compliance measures across sectors to alleviate the hardships being faced by various businesses. This comes as the country enters into an unprecedented lockdown due to the COVID-19 pandemic.

The finance minister also announced removal of charges for three months for debit card holders withdrawing cash from ATMs of other banks and waived the minimum balance fees.

The mandatory requirement of holding meetings of the board of the companies was extended by 60 days till the next two quarters, while applicability of Companies (Auditor's Report) Order, 2020, has been deferred by a year.

It will now be put in place from 2020-2021 instead of from 2019-2020 notified earlier.

In a media briefing held through a video conference, Sitharaman also said that a larger economic package will be announced soon.

The finance minister said the Centre was deliberating upon the suggestions from stakeholders, including provision of a targeted income support scheme and deferment of loan payments for individuals and companies.

She said that a COVID-19 Economic Response Task Force had been set up constituting ministers, members of Parliament, industrialists, economists and experts. It had been divided into sub-groups to deal with various issues.

"We are close to coming out with an economic package which will be announced sooner or later," Sitharaman said.

The minister said the last date for income tax returns for FY19 has been extended to June 30, and for delayed payments till that time, the interest rate has been reduced to 9 per cent from 12 per cent.

"This is a relief for many ordinary resident taxpayers who need to file revised tax returns in order to claim foreign tax credit (FTC) based on their overseas tax returns," said Alok Agrawal, Partner, Deloitte India.

The move has automatically extend timelines for all statutory obligations like concluding time-barring assessments, issue of tax notice, intimations, processing of returns, completion of set-aside assessments penalty proceedings, reopening assessment and so on.

Further, the deadline for proceedings under Wealth Tax Act, Benami Property Act, Black Money Act, Securities Transaction Tax and Commodity Transaction Act, where the time limit expires between March 20 and June 29, has been also extended to June 30.

The mandatory linking of Aadhaar cards with PAN cards, and the direct tax Vivad Se Vishwas scheme has also been extended to June 30. The earlier criteria in Vivad Se Vishwas, of not paying a 10 per cent additional amount till March 31, was extended to June 30.

"For delayed payments of advance tax, self-assessment tax, regular tax, TDS and equalisation levy, among others, made between March 20 and June 30, the interest rate has been reduced to 9 per cent from 12-18 per cent earlier. No late fee and penalty shall be charged for delay relating to this period," she said.

Deferring the deadline for availing full benefits of the Vivad Se Vishwas scheme evoked positive response from tax experts.

"This will give enough time and opportunity to tax payers to take benefit of the scheme to mitigate litigation," said Vikram Doshi, partner, tax & regulatory, PwC India.

The move will certainly encourage businesses to address pending litigation in the extended period, said Abhishek Rastogi, partner at Khaitan & Co.

Sitharaman also said that those having aggregate annual turnover of less than ₹5 crore can file GST returns for March-May by the last week of June, and no interest, late fee, or penalty will be charged. For the others, a reduced interest rate of 9 per cent will be levied.

Addressing the media, the minister remained non-committal on the impact of the COVID-19 lockdown on economic growth, the Centre's tax and divestment revenues and whether the government had estimated the size of economic losses due to the shutdown.

"There have been suggestions from people on a universal basic income, on deferring EMIs for individuals and loans for companies. We are deliberating on these issues. You will hear something soon," she said.

With inputs from Shrimi Choudhary, Dilasha Seth & Ruchika Chitravanshi

FM Nirmala Sitharaman, along with MoS for Finance Anurag Thakur and officials, addresses the media via video conference at North Block in New Delhi, on Tuesday PHOTO: PTI

OTHER MEASURES ANNOUNCED

- In MCA–21 registry, no extra fee for late filing of any document, return or statement. This is for April to September
- Independent directors exempted from holding at least one meeting without non–independent directors and management
- Newly incorporated companies get extra six months to file declaration of start of business
- Mandate for at least one director of a company to remain in India for at least 182 days scrapped
- Three–month extension for creating reserves for companies where deposits are maturing before April

Safety of traders, workers worries APMCs nationwide

DILIP KUMAR JHA, SANJEEB MUKERJEE & VINAY UMARJI
Mumbai/New Delhi/Ahmedabad, 24 March

Mandis across Maharashtra and Gujarat are struggling to meet daily needs of essential items such as fruits and vegetables, as well as foodgrains, amid concerns over the safety of workers and traders.

Given the lockdown, wholesalers of smaller commodities such as spices and others have decided to remain closed till March 31. In northern India, vegetable *mandis* have been complaining of lower offtake, in line with *mandis* in western India.

The Maharashtra government has said all vegetable shops and kirana stores will remain exempt from the lockdown order. The issue of safety and health of workers and traders are being addressed, with increased sanitisation, etc.

Traders in Vashi-based *mandis* said that on Wednesday, they would be closed, including vegetables and grains, due to holiday.

Wholesale mandis of spices and dry fruits will be closed till March 31, while those of onions and potatoes will be open on alternate days.

The issue of traders' and workers' safety has taken precedence, as their presence at *mandis*, along with arhatiyas (commission agents), results in a big gathering.

"In a meeting with representatives of all sections, the formation of a committee to suggest ways to operate was decided, in order to address all issues, including maintaining the supply of essentials," said Nilesh Veera, director of Vashi APMC.

The grain market is not yet sure whether it will be able to open on Thursday, following concerns of safety and security during the curfew.

"We have advised the Vashi APMC to remain open. Food grains, fruits, and vegetables being perishable commodities, we cannot allow shutdown of the entire *mandi*. While mathadis and other such workers have demanded protection through sufficient supply of sanitisers and masks, we have advised them to buy those that we will reimburse. Therefore, markets will remain open but the supply of commodities may be affected badly because of the sealing of state and district borders," said Sunil Singatkar, director of Vashi APMC.

Bulk buyers such as hypermarkets, large retail chains, and bulk consumers have started purchasing fruits and vegetables directly from farmers to ensure uninterrupted supply.

"Arrivals of fruits, vegetables and other commodities have declined drastically as farmers have slowed harvesting. In addition, direct selling to bulk buyers has hit supply. Supply of perishable goods is likely to remain lower till the COVID-19 issue normalises," said Santosh Patil, chairman of APMC Sangli.

Gujarat grain mandis shut

While there has been no official circular from the state government's agriculture and farmers' welfare department, APMCs engaged in wholesale trading of non-perishables like grains and pulses have shut operations. The Unjha market, dealing in non-essentials, is also closed.

"We are monitoring all APMCs in the state. The government has not given any directive to close APMCs but we are encouraging staggered operations so that the logistics and supply chain network is established, and without disruption. APMCs dealing in non-perishables like grains and pulses are suspending operations on their own, after consultation with farmer groups. Even dairies are functioning and we are monitoring supply of milk," Manish Bhardwaj, secretary (agriculture, farmers' welfare and co-operation department), Gujarat government, told *Business Standard*.

Glut in Azadpur *mandi*

New Delhi's Azadpur has a problem similar to Mumbai. Arrivals are in excess, while lifting by small traders is low.

"Fruits trucks are arriving in the *mandi* but there isn't any forward sale as the city and its adjoining areas under a lockdown, and labourers have fled to their villages fearing a crackdown," said Rajkumar Bhatia, a prominent fruit merchant.

He said if the situation continues for few more days, they will have to cut down on arrivals or else there will be a pile-up. "We received 80-90 trucks of onions but just 10-20 could be sold as there was no vehicle to carry the goods to retailers," said Rajinder Sharma, ex-head of Azadpur Mandi and a prominent onion trader. He said arrival of potatoes, on the other hand, was robust and demand was good.

Punjab follows suit

Most grain and vegetable markets and *mandis* were closed in the state on account of the curfew by the government in several places. Given it is the wheat procurement season, traders said purchases by state agencies might need to be delayed by at least a fortnight, as resources are unavailable.

"We are hearing that some sort of relaxation might be granted by the state government for *mandis* to operate smoothly," said Omkar Singh Khaira, a leader from the BKU (Rajewal) faction in Punjab.

In northern India, vegetable *mandis* have been complaining of lower offtake, in line with *mandis* in western India

Survival of the fittest

The length of the COVID-19 crisis and the strength of balance sheets and cashflow will determine the intensity of the bloodbath in the media and entertainment industry

VANITA KOHLI-KHANDEKAR

How much of a knocking print, TV, radio, film or digital firms will take from the corona crisis depends on three things.

First, the strength of their balance sheets and cashflow situation. For instance, PVR Cinemas, India's largest multiplex chain raised Rs 500 crore from a share placement late last year. It was just chance that this happened a few months before the crisis hit. But it gives the company, which anyway has a strong balance sheet, the ability to face the uncertainty of a complete shutdown of business.

At Rs 3,118 crore in revenues PVR is among the 10 largest media firms in India along with Disney-Star, Times Group, Google India and others. Its ability to withstand a prolonged shutdown, continue to keep staff on board and meet its fixed costs is simply better. However without a running business smaller theatrical firms with one or two screens will have trouble paying salaries, rent and other fixed costs. Most would have the cash to last for a month or two. The medium-sized cinema chains could last longer but could become distress sellers say industry experts.

All firms across India's Rs 1,67,400 crore media and entertainment industry, big or small, could see either stagnation or fall in revenues. This is not just because of the virus. To begin with, there was the economic slowdown that began last year. Advertising growth had already dropped to single digits when protests against the Citizenship (Amendment) Act and the Delhi riots happened earlier this year further aggravating the slowdown. Most companies have shown a drop or stagnation in ad revenues in FY2020.

Now add the fact that a lot of the growth in ad revenues for media firms is from value-adds. These could be events, brand activation or some element of solution selling. This means offering advertisers a package that includes airtime/column inches plus a small event or brand activation in a mall etc. For example Entertainment Network India, which operates Radio Mirchi gets one-third of its ₹635 crore income from events and digital.

The social distancing and lockdowns mean the events part, which employs hundreds of thousands of people, is in shutdown mode. Most firms that offer services in this area are nimble but small outfits that work from event to event, have no assets and long credit cycles. Note that about 120,000 below-the-line entertainment industry jobs have been lost in Hollywood as businesses shut down or scale back as they try to match their costs to their rapidly reducing revenues.

And that brings this to the second factor which will determine how hard the blow will hit a business, its employees, consumers and society — how long this crisis lasts. China, where the first few cases came out in December 2019 and the lockdown happened in January this year is just limping back to normal. If we use the two to four month benchmark then it would seem that some normalcy creeps in by June or July. It still doesn't mean things will immediately come back to where they were. Most experts say it will be 18-24 months before the economic ecosystem is buzzing again.

There is a third random factor. The indirect result of the virus on businesses that do not have a direct physical interaction with consumers. For instance, the lack of transport that is forcing newspapers to drop delivery in some cities. Or the shutdown in the making of TV shows, films et al. Most large broadcasters depend on daily soaps, the bank for which does not last beyond a few days. The production industry shut down on March 17, which means any day now all the general entertainment channels will have to start running repeats. This in turn will mean revised deals with advertisers. Meanwhile hundreds of production houses which are by and large small, family-owned outfits, face an uncertain future just like small exhibitors.

In a country where TV reaches 836 million people, offers almost 900 channels and is by far the most popular medium of entertainment that is sad. Most industry segments have asked for deferment of the goods and service tax among other measures to help the small firms tide through.

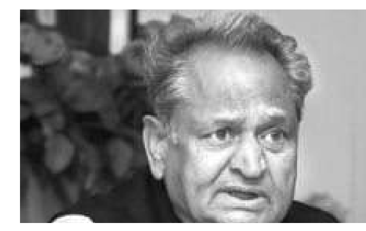
This is going to be a long fight that only the financially-fit and fiscally prudent will survive.

http://twitter.com/vanitakohlik

CHINESE WHISPERS

10 days, 3 chief secys

Madhya Pradesh has got its third chief secretary in 10 days. In one of the initial orders of the new dispensation, Chief Minister Shivraj Singh Chouhan on Tuesday appointed IAS officer Iqbal Singh Bains as the new chief secretary. Bains, a 1985 batch IAS officer, is considered close to Chouhan. Just days before, on March 16, the earlier Kamal Nath government had appointed senior IAS officer M Gopal Reddy (also 1985 batch) the new chief secretary of the state. Reddy replaced S R Mohanty (1982 batch), who is now the director general of RCVP Noronha Academy of Administration, the nodal training institute for senior officers of the MP government, the government of India and public sector undertakings. With this move, the new chief minister has also indicated that an administrative reshuffle in the state is on the cards.



Politics at time of pandemic

Rajasthan Chief Minister Ashok Gehlot (*pictured*) smelled a rat after the Election Commission postponed the Rajya Sabha polls. There were many in the opposition parties who wanted not just the Parliament session, which was held on Monday, curtailed, but also the Rajya Sabha polls postponed. On Tuesday, the Election Commission said it was postponing the polls indefinitely in view of the spread of coronavirus. Of the 55 seats in 17 states falling vacant in the first week of April, 37 in 10 states have been filled because candidates were elected unopposed. For the rest of the seats, the election was scheduled for March 26, which has now been deferred. Questioning the move, Gehlot tweeted, "The decision to defer the RS elections definitely comes under the scanner as the BJP has not been able to succeed in horse trading in Gujarat and Rajasthan. They want some more time. Sad day for democracy." The Congress is worried that some of its legislators in Gujarat might vote for the BJP candidates.

Helping hand

Bahujan Samaj Party (BSP) President Mayawati has expressed concern over the general lockdown in the country, including Uttar Pradesh, throwing normal life out of gear. She said the livelihood of tens of millions of the poor and daily wage-earners was at stake and that they would be pushed towards starvation. She urged the central and state governments to provide urgent relief to these people. Mayawati also called upon the affluent among the BSP supporters to help the needy. On his part, Samajwadi Party President Akhilesh Yadav in a tweet requested mobile phone companies to offer free or subsidised services to the poor since their earning capacity had been severely impaired.

Travel start-ups hit a bumpy road

They were riding on the promise of steady double-digit growth, but with travel restrictions and cancellations, their problems are mounting

T E NARASIMHAN

Four months ago when a Bengaluru-based start-up focused on niche adventure tourism for corporate executives made its pitch to investors, its prospects looked promising.

The company was reporting a 10-15 per cent growth in its bookings annually — with potential for even higher growth.

Then, almost overnight, the calls for cancellation surged. As the coronavirus pandemic spread through the world and one after another countries cancelled inbound flights, the story turned upside down, leaving the promoters, all in their early 30s, devastated.

There are over 3,000 travel-tech start-ups in this space currently and most are struggling to make sense of the impact the pandemic might have on their business. The travel market was worth $5.71 billion in 2015, and expected to reach $13.6 billion by 2021, according to a report by management consulting firm Praxis Global Global. But COVID-19 has come as a shocker for these start-ups. Most are less than five years old, and after having raised seed and Series A capital were in the middle of raising money for growth.

Venture Intelligence Data shows in 2016, venture capital investments in travel start-ups was $108 million, rising to $1,029 million in 2018 (including $1 billion in Oyo Rooms). Those figures dropped to $89 million in 2019 and in the current year, VCs have invested $15 million in one deal. These investments were spread across the various sub-sectors, including bookings, activity marketplaces, short-term rental, tourism and hotels.

Inbound tourism, according to the Confederation of Indian Industries' Tourism Committee, is worth $28 billion annually in value terms, with 60-65 per cent of it being generated between October and March. With almost 80 per cent cancellation in March, the potential loss is staggering. The prospects for new bookings for October to March 2021, which should have started by this time, look no better.

Deep Kalra, founder and executive chairman MakeMyTrip, in an interview recently said many people are putting their plans on hold. Outbound business accounts for nearly 20 per cent of MakeMyTrip's business.

Investors are, however, trying to support the start-ups. Commenting on the trend across the sector, Ashish Fafadia, partner, Blume Ventures, says, "There is a very high degree of panic and fear in the system and things are going to have a much deeper impact across the board for every business with an element of mobility. The only companies that may not see as big an impact is media, online education, health and agritech."

He makes a case for "a resilience pool of capital within the fund" to support performing companies who are now struggling for capital. "It may impact the performance for two quarters, that is something that we have to take in our stride. We are helping them by making sure that the commitments in the term-sheets are made," he says.

Counsel and guidance to soothe the nerves of jittery founders is also something investors are now taking more seriously. "We have already been interacting with the portfolio companies over the last two to three weeks since we started to see some of these things. We have had discussions with the founders of these companies. Our discussions are strictly on a one-on-one basis," says Fafadia. "These things hit you when the quarterly numbers come out. We are just three to four weeks into it," he notes.

With many countries going into lockdown, an immediate rebound is hard to see. Vatsala Subramanian, founder and CEO at Vatsala Tourism Academy, who works travel start-ups that are into arranging international and domestic tour packages, says almost 90 per cent of the business was cancelled. April to June is the peak season for outbound tourism for Indian families and people start booking air tickets in December-January.

Larger companies have a buffer when it comes to working capital, but any sudden disruption becomes a question of survival for start-ups. "There is absolutely no business for some of the start-ups to even meet their minimum expenses. The overheads are already there and many have loans, having splashed out on marketing ahead of the high season," she says.

Refunds for cancelled air tickets are also slow to come as airlines insist on offering an alternative date for travel, and this is adding to the cash crunch. "We may see at least a handful of travel tech start-ups close forever. Even if coronavirus is controlled in two months, it will take another six months for people to get the confidence to travel," says Subramanian.

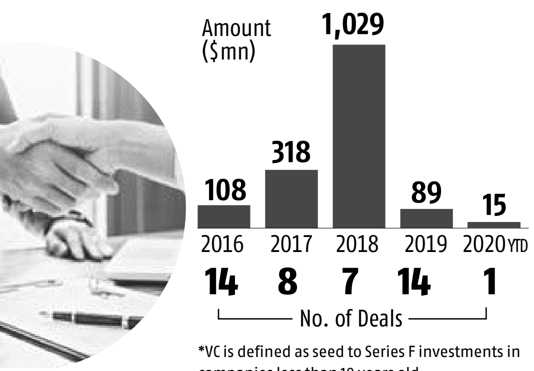
Those focused on domestic travel have been less affected, but even they are starting to feel the pinch. Swapnil Tripathi, chief business officer, IntrCity by Railyatri, which has raised around $15 million from Samsung Ventures, Entrust Family Office and others in January, says: "While the impact of the disease outbreak on leisure travel industry as a whole could be 20-30 per cent, for us it could be in single digit impact."

All this could delay fresh funding in the sector as investors are waiting for the storm to blow over before taking a call, he says.

Vaibhav Agarwal, founder and CEO of online budget hotel booking firm Fabhotels, which raised funds from Qualcomm Ventures, Accel India, Goldman Sachs, among others, last year, says: "Business travel is down 20-25 per cent. There may be some recovery in May but currently everyone, including investors, is keeping a close watch on this evolving situation."

ROCKY RIDE

VC* investments in travel start-ups (2016-2020 YTD)



*VC is defined as seed to Series F investments in companies less than 10 years old
Note: The years 2018 and 2017 include $1 billion and $255 million investments in Oyo Rooms respectively

Top VC investments in travel start-ups (2019-2020 YTD)

Company	Investors	Amount ($mn)	Date
HappyEasyGo	Samsung Ventures, Korea Investment Partners, M&S Partners, others	49	Dec 2019
RailYatri	Samsung Ventures, Entrust Family Office, Nandan Nilekani, Blume Ventures, Omidyar Network, others	15	Jan ,2020
Travel Triangle	KB Investment, Fundamentum	13	Nov, 2019
FabHotels.com	Qualcomm Ventures, Accel India, Goldman Sachs	8	May 2019
FabHotels.com	RB Investments, Accel India, Goldman Sachs	6	Dec, 2019

Source: Venture Intelligence

INSIGHT

After COVID-19

Digital public goods can backstop the Indian economy

ARUN MOHAN SUKUMAR

With the enlisting of powerful corporations like Walmart, Target, CVS, Walgreens and LabCorp in its efforts to fight the COVID-19 pandemic, the United States Coronavirus Task Force has sought to railroad the marketplace into serving the public interest. Walmart and Target has opened up their parking lots for Covid-19 testing; CVS and Walgreens will supply testing kits and maintain a robust inventory of medical supplies; LabCorp will undertake high-throughput testing; Google has created an online platform to schedule virus testing; and drug companies Becton-Dickinson and Roche will develop the test kits. The US Centres for Disease Control, with its surveillance and reporting infrastructure, will be the backbone of the effort.

This is a notable departure from the "moonshot" approach to technology that America perfected during and in the aftermath of the Second World War. There will certainly be a global race to develop a Covid-19 vaccine, but it won't emerge from a "Manhattan Project" or a DARPA-like institution. In some respects, the United States is coming around to a method of technology incubation and deployment that India has perfected through the "India Stack" model. And that is to forego moonshots, and create "playgrounds". In fact, India with its sophisticated digital identity and payments infrastructure, is in pole position to build the technology playgrounds that could limit the considerable economic fallout from the Covid-19 pandemic.

In the past, India too has attempted an all-or-nothing approach towards incubating new technologies. Many of these efforts have simply failed. In the fifties, the American pharmaceutical giant Merck approached Jawaharlal Nehru's government to create a penicillin manufacturing plant under the aegis of a WHO initiative. As the historian Nasir Tyabji has meticulously documented, Nehru's deep mistrust of private capital, especially from abroad, led to a breakdown of negotiations between the two parties. Instead, the government set up the Hindustan Antibiotics Ltd to manufacture generic drugs, which continues to struggle to this day. The Electronics Corporation of India Ltd's (another national champion) quick descent into oblivion too is illustrative, to say nothing of the Defence Research and Development Organisation (DRDO).

It is easy to conceive of technology as a finished product — a single piece of equipment or technique like a vaccine, testing kit, missile, computer or app. But the reality is that many parts make up the whole, and India needs to attract all aspects of a value chain, from manufacturers of primary components to distribution networks that reach the proverbial last mile, if it is to emerge as a technology powerhouse. India may not be able to develop a Covid-19 vaccine overnight but it has already built the digital platforms that private innovators can use to offer health insurance, social security and access to credit in an economy that will be ravaged by the virus.

The US government is currently weighing the means by which it will effect a $500-billion cash transfer to Americans, especially those without bank accounts, during the pandemic. A project of this sort will not be easy, given America's highly fragmented banking networks and regulatory system. On the other hand, India's identification and payments infrastructure, built top-down through Aadhaar and UPI, would make a targeted cash transfer look like a walk in the park. In fact, a Universal Basic Income for citizens would be the lowest hanging fruit for the government, given the technological tools India has at its disposal.

Take lending, for instance. Soon after the Covid-19 pandemic subsides, small and medium scale enterprises and gig workers in India will need unsecured credit to kickstart or renew operations that would have been shuttered for weeks. Banks in India today have neither the appetite nor the networks to assess and monitor credit history, especially for micro-loans. The digital identity infrastructure in place — Aadhaar, eKYC and UPI — need not only be used by banks. Atop this layer, an entire ecosystem of account aggregators (who collect and become fiduciary custodians of consumer data), lending service providers (businesses that offer the loans, whether it is a traditional co-operative, or a new-age business like Zomato or Uber) and underwriter modellers (technology companies that write the algorithms to determine loan eligibility based on past and estimated cash flows) can be created.

The "playground" can be built because the digital infrastructure is already in place and can easily be linked to bank accounts. The government can set the rules of the game, but like the Coronavirus Task Force, should be one of many actors in the playground. The platforms that connect banks and lenders to India Stack infrastructure, for example, should be treated as public utilities and their profits capped. The government could even create an app for lending, as with BHIM for UPI. Such a platform should not be visualised as a national champion, only as a nudge for others to join the playground. With BHIM app, the government was rightly criticised for trying to be both a player and regulator: other UPI-driven platforms like Google Tez and PhonePe have left BHIM far behind in market share, illustrating how the state just cannot keep up with the private sector in some technological aspects.

The coronavirus crisis has forced the US government to corral private health care technology into a public playground. US companies like Comcast, meanwhile, have announced that they will provide free internet connectivity to the public during this period. The spectre of a pandemic has made the American state rely on blunt instruments like the Defence Production Act to exert agency over the private sector, as it has episodically in the past. India does not have to adopt this 20th-century model — critical public goods like health care, connectivity and access to finance can be provided at scale to citizens by the private sector, as long as the government creates the enabling digital infrastructure for these respective playgrounds. Build, as the saying goes, and they will come.

The author is a PhD candidate at the Fletcher School, Tufts University, and a volunteer with the non-profit think tank, iSPIRT. His book, Midnight's Machines: A Political History of Technology in India, was recently published by Penguin RandomHouse
Views are personal

LETTERS

A collective fight

It is a very serious matter that coronavirus cases are rising day by day. The central as well as the state governments are taking every possible step to control the virus. As many as 19 states are under complete or partial lockdown, while curfew has been imposed by the Maharashtra and Punjab governments. Still people do not seem to be serious. It's a time to take lessons from China and Italy and stay at home. It is the responsibility of every individual to follow the instructions by the administration. We have to fight the virus on an individual and also collective levels. Violation of the instructions of the governments may aggravate the crisis leading to dangerous consequences.

A M Qasmi Navi Mumbai

Relief for NRIs

The spread of Covid-19 is causing major disruptions in every country — citizens are confined to their homes, while there are restrictions on transportation, including air travel, which has been suspended. In an amendment to the Income Tax Act, the Finance Bill had proposed to reduce the period of stay for non-resident Indians (NRIs) in India to 120 days from 182 days earlier. However, with the travel restrictions, there is uncertainty among non-resident Indians who are unable to plan their movement. Hence, the government should postpone the provisions relating to the NRIs by a financial year. This will provide relief to the thousands of hard-working Indians who work abroad and remit their savings to the country every year.

Rajendra Aneja Mumbai

Are we ready?

The COVID-19 pandemic has no doubt got the world into a standstill with many countries going through unprecedented crisis, losing precious lives. India too is facing one of the worst crises in recent times. Though our health care management system is rickety when compared to the developed nations, we have been able to manage the crisis till now because of the aggressive and laudable precautionary steps taken by the Centre and the state governments. The public and the media are also to be lauded for their efforts.

At the same time there is fear about the deadly disease surging with rapid community spread. Are our hospitals and medical institutions ready for it? It is here that we have to come out with urgent measures and immediate steps. It is time the government paid more attention to our health care system. The Budget allocation for medical care should be increased. Every district needs an AIIMS-type institution to handle pandemics in the future. Virology labs must be established in all the states. Medical students must be given additional training to cope with such situations. Every citizen should be made part of health awareness campaigns and trained to overcome health disasters. Covid-19 is definitely not here to stay but we have to be diligent and prepared for more dangerous virus attacks in the future.

M Pradyu Kannur

Letters can be mailed, faxed or e-mailed to: The Editor, Business Standard Nehru House, 4 Bahadur Shah Zafar Marg, New Delhi 110 002
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E-mail: letters@bsmail.in
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HAMBONE

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Beyond the 'laxman rekha'

Ensuring lasting pharma security is vital

The all-India 21-day lockdown that Prime Minister Narendra Modi announced on Tuesday night to "break the cycle" of the COVID-19 pandemic may be an unavoidable option given the surge in the infection and the limitations of the Indian health care system. A complete lockdown is one element of the fight against the disease, however, and it is unclear whether it can prevent a resurgence once it ends. Widespread testing represents the other element of the challenge and it remains a key weakness for India. Mr Modi announced a ₹15,000 crore package to fight the disease, with a focus on providing PPE (Personal Protection Equipment), beds, ventilators, paramedic training and so on. This is indubitably a necessary step but it may not be sufficient. The import of testing kits and fast-track licensing of domestic manufacture should be a priority too.

Beyond the immediate crisis, the COVID-19 outbreak provides a unique opportunity to build a more durable public healthcare system, strengthening ordinary Indians' access to health care and creating the resources and capacity to respond to future health emergencies. The ability of South Korea and Singapore, albeit with far smaller and better-educated populations, to contain the virus underlines the criticality of a robust public health system. The Union health ministry's own survey indicates that the country has one isolation bed per 84,000 Indians, one quarantine bed per 36,000 Indians, one doctor for 11,600 Indians, and one hospital bed per 1,826 Indians. The danger of the health care system being overwhelmed if the country enters Stage 3 of the COVID-19 pandemic is easy to imagine. Going forward, building more hospital infrastructure with a minimum of advanced facilities is one obvious answer, but the real conundrum to address is producing qualified doctors and nurses for the woefully underserved rural and mofussil India.

The norm of compulsory rural service by MBBS graduates has not worked in the absence of appropriate incentives, but there are workable models that can be amplified — the setting up of a rural medical corps or Kerala's barefoot doctors being two examples. No less important is creating and sustaining domestic manufacturing. Several obvious solutions suggest themselves. The crisis has disrupted the Active Pharmaceutical Ingredient (API) supply chain, causing a serious shortage of drugs such as paracetamol for mild COVID-19 cases. Mr Modi has responded to the shortages but only a permanent, exponential expansion of domestic capacity for medical equipment, APIs, testing kits, and even basics such as swabs and masks can ensure lasting pharma security.

The package for health care manufacturing parks may be a sincere attempt to address this problem, but it is a long-term solution of doubtful value, given the history of economic zoning in India. Some have questioned its utility when 40 per cent of domestic pharma capacity lies unutilised. One suggestion from the Public Health Foundation is for the government to leverage the public sector to re-activate the compulsory licensing route to produce life-saving and patent-restricted drugs during crises. The wherewithal to achieve a lasting improvement in the health care system is within this government's grasp. The Swachh Bharat models suggest one prototype, though "Swasth Bharat" may demand a more complex institutional structure.

Costly delay

Hesitation in announcing a financial package is inexplicable

Union Finance Minister Nirmala Sitharaman on Tuesday announced a series of measures that essentially provide or extend a grace period for several payments and regulations. The idea is to ensure that there is no additional pressure on taxpayers and companies over and above the lockdown associated with the fight against coronavirus. By and large, Ms Sitharaman announced procedural moves such as extending the income-tax returns filing date, linking the permanent account number, or PAN, to Aadhaar, etc. There was a reduction in the rate of interest to be charged for delays in the deposit of the tax. Similar measures were put into place for goods and services tax (GST), with the last day also extended to June 30 and with smaller and medium-sized establishments being exempted from interest and penalty. This would provide some relief to individuals and businesses. The impact of the nationwide lockdown on companies will be severe, particularly on those that run on low margins and with minimal working capital. It is important to ensure that they have no additional stress caused by regulatory compliance requirements. It is also important to ensure that this period does not see any large spurt in bankruptcies of companies that are otherwise going concerns. Thus the government has also declared that the threshold to trigger the provisions of the Insolvency and Bankruptcy Code has been increased a hundredfold to ₹1 crore from ₹1 lakh. This will help micro, small and medium enterprises (MSMEs), which are expected to be among the worst hit.

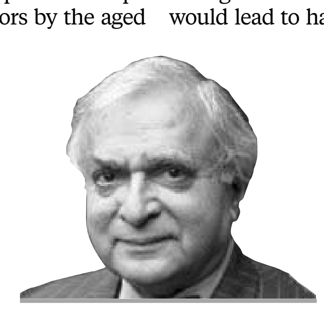
But it is hard to understand why Ms Sitharaman could not announce a full financial package on Tuesday itself. Scores of countries have already done so: The European Central Bank has moved to support bank lending in the euro zone, including by loosening capital requirements and opening up its own long-term lending to banks. Various individual European governments have also stepped in. German Chancellor Angela Merkel has authorised the country's main state-controlled bank to lend more than $600 billion to companies. The UK has rolled out a $384-billion rescue package; South Korea has also announced a big stimulus package. So no one knows what has held the Indian government and the Reserve Bank of India back, given the scale of the economic damage that needs to be tackled.

The government's hesitation makes no sense as a large fiscal slippage is anyway unavoidable at this stage. Other countries have announced outright tax holidays for some sectors, as well as focused on lending to those sectors and segments most likely to be affected by the shutdown. This must also be on the agenda in terms of regulatory responses — quite aside from the direct transfers and support that will be part of the overall economic package. The measures announced on Tuesday were mere low-hanging fruits related to "statutory and regulatory compliance matters". That's just not enough. It is also inexplicable that the government is yet to constitute the COVID-19 economic task force even five days after the prime minister announced its formation. The government must not lose any more time in constructing a big economic package.

ILLUSTRATION: BINAY SINHA

Reflections on the pandemic

We need a national survey of the incidence of coronavirus by testing a representative sample of population, not lockdowns



DEEPAK LAL

My wife and I were scheduled to fly out from London on March 14 to Delhi for our usual stay at our Delhi home in the spring. Unfortunately, the Delhi airport was shut because of fears about foreign travellers bringing coronavirus into India. Since then we have been marooned in London waiting for the airport to open. Meanwhile, given the rise of coronavirus cases in London (and the UK) and the threat they pose to the National Health Service (NHS) with its inadequacies to cope with the need for ICU's and respirators by the aged likely to be infected by the coronavirus, after various procrastinations aimed to keep the country at least partially open, Prime Minister Boris Johnson was forced by the advice of his medical advisers to order a lockdown of the country from the weekend. With the aged most at risk undertaking social distancing, including self- isolation for those with some respiratory problems, we are in effective house arrest till the airports open and allow us to fly to Delhi.

This pandemic, which began in China like the bird flu, Sars and swine flu pandemics, has infected and killed large numbers globally to date. As the lockdowns in the UK, US and Europe effectively put their economies in an induced coma, governments have been forced to undertake massive public intervention to deal with the liquidity crisis this "sudden stop" entails for businesses and workers. They have loosened monetary policies, and undertaken massive fiscal expansions. The UK is about to pass the most draconian laws restricting civil liberties to enforce the lockdowns.

Is all this necessary? It is claimed by the UK government in daily press conferences that all they are doing is following the best medical epidemiological advice to save the elderly and the NHS. But is this credible when at the start of the crisis these same epidemiologists were advising that the best course was to let the virus rip till over 60 per cent of the population were infected creating "herd immunity"? One of the epidemiologists, Professor Neil Ferguson of Imperial College London, produced a model showing this would lead to half a million fatalities. If instead the virus was suppressed through social distancing and lockdowns, the number of fatalities could be kept down to 20,000 — not much larger than the annual fatalities from flu.

Not all epidemiologists agree. Professor John Ioannidis of Stanford University argues that there is not enough evidence on which to base draconian policies like lockdowns. "Three months after the outbreak emerged, most countries including the US lack the ability to test a large number of people and no country has reliable data on the prevalence of the virus in a representative random sample of the general population" ("A fiasco in the making? As the coronavirus pandemic takes hold, we are making decisions without reliable data", (emphasis added). (*www.statnews.com/2020/03/17*)

Ioannidis then applies the test data from the Diamond Princess cruise ship and its quarantine passengers to the age structure of the US population, and making various plausible assumptions about various uncertainties, to estimate the likely fatalities from the coronavirus in the US. He concludes "reasonable estimates for the case fatality ratio in the general US population vary from 0.05 per cent (lower than the seasonal flu) to 1 per cent." If this is true, "locking down the world with tremendous social and financial consequences may be totally irrational. It's like an elephant being attacked by a house cat. Frustrated and trying to avoid the cat, the elephant accidentally jumps of a cliff and dies".

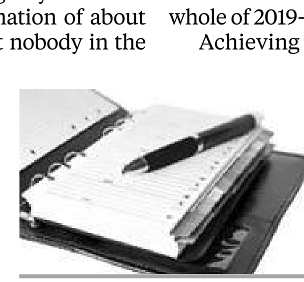
Marc Lipsitch of Harvard demurs. Whilst agreeing with Ioannides that US test data is needed, he reiterates the conclusions of the Imperial College study by asserting that "we know enough to act decisively against COVID-19. Social distancing is a good place to start". (*www.statnews.com/2020/03/18*). I am not persuaded.

The World Health Organization's top emergency expert Mike Ryan has stated that lockdowns cannot defeat coronavirus which will resurface when the lockdowns end. What is needed is to focus "on finding those who have the virus, and isolate them, find their contacts and isolate them". One small town in Veneto in the heart of the Italian epidemic has shown in a pilot study how mass testing can eliminate the virus. On March 6, all 3,000 inhabitants of Vos — including those with no symptoms — were tested. This allowed people to be quarantined "before they showed signs of infection and stop the further spread of coronavirus. In this way we eradicated coronavirus in under 14 days" (Andrea Cristani and Antonio Cassone in "In one Italian town we showed mass testing could eradicate the coronavirus." *The Guardian*, March 20) Hence, the WHO's current slogan : "Test, test, test".

Singapore, South Korea, Hong Kong and Taiwan have all used testing, tracing and tracking to control the spread of coronavirus, whilst still maintaining some semi-normality with schools and businesses still open. "Test, trace and track: How Singapore is winning the war". *Daily Telegraph*, March, 23)

For India, attempting to follow the UK's lockdown model would be a mistake, particularly as it would require a draconian police state, and without evidence of who is infected and on the transmission mechanism to follow the "Singapore model" would seem to be a Herculean task. Except for the fact that India's NSS was a pioneering institution collecting the needed microeconomic data from its sample surveys which informed public policy. Though it has fallen on hard times like most bureaucratic institutions in India, there remains the survey unit of the National Council of Economic Research, which when I worked with it in the late 1990s would meet the bill, not least because it hired recent graduates for the term to conduct its various sample surveys. It should be hired to do a national survey of the incidence of coronavirus by testing a representative sample of the Indian population. With this as a base, there is a need to produce quick and easy testing kits, which would allow the coronavirus to be stopped in its tracks, without the need for socially and economically disruptive lockdowns, as shown in Vos, Hong Kong, Singapore, Taiwan and South Korea.

The other casualty of COVID-19



NEW DELHI DIARY

A K BHATTACHARYA

Among the many casualties of COVID-19, the rapidly spreading respiratory disease caused by coronavirus, there is one victim that seems to have escaped the attention of policymakers in India. That victim is the Union Budget for 2020-21.

Finance Minister Nirmala Sitharaman presented the Budget for 2020-21 on February 1, when the impact of COVID-19 on the economy was not fully evident. The first confirmed case in India was reported on January 30, even though by that time China had begun reporting confirmation of about 1,500 flu-afflicted cases per day. But nobody in the world, let alone India, had by then raised any alarm over the possible spread of that disease across the world and its impact on global economic growth. The earliest statement from the International Monetary Fund on its adverse impact on growth came only on February 22.

Not surprisingly, the Union Budget made no mention of either the disease or its impact on India's growth. Instead, nominal growth of the Indian economy in 2020-21 was projected at over 10 per cent, much higher than 7.45 per cent estimated for 2019-20. Gross tax revenues were projected to grow by 12 per cent and disinvestment receipts were to increase by a whopping 223 per cent, both of which, aided by tight control on expenditure, were expected to reduce the fiscal deficit for 2020-21 to 3.5 per cent of gross domestic product (GDP), from 3.8 per cent in 2019-20.

The Union Budget was passed by Parliament on March 23, without any changes in the overall numbers on revenue and expenditure. Yet, nobody can dispute that the impact of COVID-19 will raise serious questions on the feasibility of achieving those numbers. With the expectation of a financial package to help people and companies cope with the adverse impact of the flu on the economy, the fiscal deficit target set for next year will have to be relaxed significantly.

Even before the outbreak of the flu, it had become clear that the tax revenue numbers for 2019-20 were overestimated. The presumption was that in the last three months of 2019-20, the government would be able to garner as much as 36 per cent of its gross tax collections for the full year, although the trend rate of collections during these three months in the previous two years was only 30-32 per cent (*https://mybs.in/2YKoSLt*).

Going by the government's statement in Parliament in early March, the gross tax collections at the end of February 2020 were estimated at ₹17.4 trillion, implying that in March alone the government had to collect an additional ₹4.2 trillion if it were to meet the revised estimate of ₹21.6 trillion during the whole of 2019-20.

Achieving that target itself would have been a difficult task. But once the outbreak of COVID-19 became severe from the first week of March, the pace of economic activity even in India began slowing significantly. The roll-out of the tax amnesty scheme, which was expected to get for the exchequer some additional revenues in the current year, could not be as smooth as was earlier expected. Now that the last date of the scheme without penalty has been extended beyond March 31, whatever little was expected by way of additional revenues will materialise only next year.

Even the reduced disinvestment target of ₹65,000 crore in 2019-20 became elusive as the stock markets nosedived, recording a 38 per cent fall in the last six weeks. The benefit from the increase in the excise duty and cess on petroleum products, announced in the wake of a sharp drop in international crude oil prices, would only be ₹2,000 crore in the current financial year.

Thus, the revised estimate of the government's revenues during 2019-20 will have to undergo a significant downward revision. This will obviously put pressure on the government to achieve the revenue targets that it had set for 2020-21. And now with the adverse impact of COVID-19 on the pace of growth, the revenue numbers projected for next year would become more difficult to achieve. If economic growth takes a hit next financial year, as is now being feared, what hope can anyone nurture of achieving a gross tax revenue growth target of 12 per cent? Disinvestment goals also look very ambitious now.

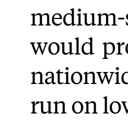
Yes, the drop in the international crude oil price will help reduce the government's import bill and its subsidy expenditure on account of petroleum products and fertilisers. But this will be more than offset by lower tax revenues from petroleum products. With economic growth faltering, the consumption of petroleum products is expected to remain subdued. Thus, even after the increase in excise duties, the net gain may not be enough to meet the 8 per cent growth envisaged in the collection of excise on petroleum products during 2020-21.

What could the government have done under these circumstances when economic growth prospects are uncertain and the presumptions on the basis of which the Budget was framed have changed quite dramatically? What's more, the government's expenditure burden is likely to see a huge increase if the legitimate demands on the exchequer are to be met to provide a stimulus package to revive the economy and address the health infrastructure needs without any further delay.

A major alteration in the overall numbers of the Budget, therefore, is almost inevitable. For administrative reasons, it had perhaps become necessary to pass the Budget on Monday, before allowing the two houses of Parliament to be adjourned sine die in view of the COVID-19 outbreak and the lockdown imposed in large parts of the country. But public confidence in what the government intends to do in a crisis situation would have received a boost if the government had simultaneously announced a package of measures and given a broad outline of the consequent deviations in the Budget numbers.

This is also an occasion for the Fifteenth Finance Commission, which is expected to submit its final report by the end of October, to deliberate on what kind of financial accommodation the Centre and the states need to plan for to meet the challenges of the health calamity that confronts the country. COVID-19 will cause no less a disruption to the economy than the goods and services tax (GST) has done. The Commission had been specifically asked to evaluate the impact of GST on government finances and make necessary recommendations. The government should now ask the Commission to examine what further steps need to be taken in view of the impact of coronavirus on the economy and government finances.

Cocaine, cannabis and conscience



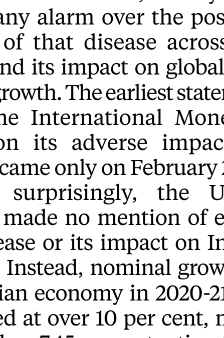
BOOK REVIEW

SAI MANISH

From Richard Nixon's war on drugs in the late 1970s to Rodrigo Duterte's 21st century extreme anti-narcotic campaign, the world has seen a lot in between that has shaped global politics, policies and actions to curb the drug trade. Antony Loewenstein's book *Pills, Powder and Smoke* is an exhaustive journalistic account of how governments and corporations have pushed more of the world's narcotic trade into the hands of notorious cartels that exploit vulnerable communities in some of the world's most impoverished regions and the poor in rich nations to sell their deadly wares. Mr Lowenstein's book is an essential read for an understanding of the global drug war as it stands today and its many debilitating ramifications.

The book provides the reader fascinating insights of the drug wars and politics in six nations, from Honduras in Latin America to the UK and Australia. Mr Lowenstein travels to each of these six nations to capture stories of how human lives have been destroyed by violence, substance abuse, government antipathy to softer solutions and greedy corporations that have knowingly pushed addictive chemical substances as alternatives to natural ones produced by indigenous communities.

One of the most path-breaking aspects of this book is Mr Lowenstein's reportage from Guinea-Bissau, a West African nation whose role in the global drug trade is relatively unknown. The author says he was told that he was probably the first foreign journalist to visit Kassumba, a no-man's land between Guinea-Bissau and Guinea, where the near absence of law enforcement makes it an ideal landing base for thousands of tonnes of cocaine every year by Latin American cartels to access the European market. A nation in which more than two-thirds of the population lives on less than $2 a day, Guinea Bissau became a preferred stopover point for Latin American drug lords after the US choked the drug's Europe-bound transit through the Caribbean in the 1980s.



PILLS, POWDER, AND SMOKE: Inside The Bloody War On Drugs
Author: Antony Lowenstein
Publisher: Macmillan
Price: ₹699

Guinea-Bissau's case is also used to highlight the entrapment tactics of the US Drug Enforcement Agency (DEA), another Nixon legacy. The author examines in detail the arrest of Guinea-Bissau's former navy chief Bubo Na Tchuto, who had been labelled a "narco-terrorist" by the US government. Na Tchuto was arrested in 2013 in international waters, handed over to the US and imprisoned for four years. The author notes, "My reporting reveals that the undercover sting operation and entrapment of these men is familiar tactic used by the DEA, which often relies on concocting stories around Farc in Colombia, cocaine and weapons smuggling. What went unsaid throughout the entire process was that the DEA created every element of the narrative, the drugs and weapons were never transported and the accused men had only become involved in the conspiracy after being approached by undercover agents. The DEA's case against Na Tchuto was ethically problematic, largely futile in the battle against drug smuggling and disturbingly revealed the long reach of Washington in remote parts of the globe."

Mr Lowenstein's detailed account misses out, however, on what is happening in Afghanistan. With US troops being withdrawn and the opium-financed Taliban gaining ascendance, the consequences could be disastrous for India, especially in Punjab and Kashmir.

Of relevance to readers will be sections pertaining to the US, where recent damning revelations about the country's opioid crisis and legalisation of medical and recreational cannabis in various states have stirred debates for legalising drugs in other parts of the world. Mr Lowenstein provides the historical context of the American drug landscape and the evolution of the country's domestic narcotics policies. From how cannabis became "enemy number one" in Richard Nixon's war on drugs; the explosion of anti-drug measures under Ronald Reagan; the continuation of Reagan's agenda under Bill Clinton; George Bush's attempts to crack down on medical marijuana; the dichotomy of Barack Obama years when a softened policy towards marijuana coexisted with the reality of exponentially rising arrests for possession; and, finally, Donald Trump's progressive criminal justice reforms in 2018 that could help those charged with drug offences live more dignified lives.

The author repeats the words of Ohio State University law professor Michelle Alexander to sum up the situation: "You know here are white men poised to run big marijuana business, dreaming of cashing in big— big money, big businesses selling weed — after 40 years of impoverished black kids getting prison time for selling weed, and their families and futures destroyed. Now, white men are planning to get rich doing precisely the same thing."

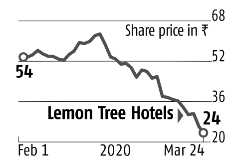
That and other parts Mr Lowenstein's book show a mirror to the world about its war on drugs steeped in delusions of moral superiority.

Business Standard
NEW DELHI |
WEDNESDAY, 25 MARCH 2020

The Smart Investor

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: LEMON TREE IN A TIGHT SPOT



Shares of Lemon Tree Hotels have crashed 62% in the past one month on concerns over the hotel chain operator debt position. Analysts say the company will face challenges in raising fresh funds or meeting existing obligations if the business disruption continues

India VIX breaches 2008 peaks

JASH KRIPLANI
Mumbai, 24 March

India VIX, which is also called the fear index, touched 86.63 on Tuesday, higher than its historic closing peak of 85.13 it reached during the 2008 global financial crisis.

According to brokerages, unless volatility reduces, the markets are unlikely to see the current sell-off bottoming out. "We think volatility needs to stabilise before the broader markets can heal. There is a precedent for this. In 2008, 2011, 2015 and 2018, equity volatility peaked well ahead of the ultimate low," Morgan Stanley said in a note.

Market participants say such high levels of implied volatility indicate the markets are firmly in a bear grip.

"Current implied volatility is not far from the record levels seen in 2008 financial crisis. On Tuesday, volatility levels continued to rise even as the markets saw some recovery from lower levels, indicating a bear grip over the markets. Unless implied volatility cools, 500-to 600-point swings in the index cannot be ruled out," said Chandan Taparia, head of derivatives and technical research, Motilal Oswal Financial Services.

On Tuesday, India VIX spiked by 20 per cent before closing 13.8 per cent higher at 81.9. The all-time high for India VIX in intra-day trading is 92.53, which was touched in November 2008. "If implied volatility moves to the 100 zone, it would theoretically mean the index can double or become zero," said an analyst.

However, the peaking of volatility can also drive the markets towards their bottom. "After a shock, the markets first become comfortable with the level of uncertainty (volatility), then with the level of price. We think that risk/reward for the markets is improving. This remains a key unticked box on our checklist," the note added.

The spike in volatility, combined with sharp daily swings, has forced futures and options traders to avoid risky strategies and look at hedging their bets.

"We are advising participants to stay calm and light at this historic, decade-high volatility. For options traders, we are suggesting a bear-put strategy to be with downtrends. Simply buying options is not advisable because option premiums are much higher and can quickly melt down with market swings in an unfavourable scenario," Taparia said.

According to analysts, writing or selling options is also a high-risk strategy that can trap traders in current conditions.

Market participants say the volatility seen in recent days amid the coronavirus scare has been abnormal. Year-to-date, the Nifty is down 35 per cent, while the Sensex is down 37 per cent. In the same period, India VIX has seen a jump of over 600 per cent. Over the last five years, India VIX has been traded at average levels of 15.

However, there is a case for volatility to see some moderation.

"We see case for volatility to moderate, and position for a peak in implied volatility at these levels. First, markets now imply levels of volatility that have rarely, if ever, been realised over a 1- or three-month horizon, even in the global financial crisis," the Morgan Stanley note said.

Source: Exchange
Compiled by *BS* Research Bureau

HIGHS AND LOWS

616%
Year-to-date jump in volatility index

15.7
Average India VIX for five years

92.53
All-time high on VIX on intra-day basis

Markets witness mild recovery

SAMIE MODAK
Mumbai, 24 March

The Indian markets on Tuesday rose 2.5 per cent, underperforming global peers, most of which rose over 5 per cent after the US Federal Reserve announced an open-ended bond-buying programme to fight the COVID-19 pandemic.

In intra-day trade, the Sensex had jumped nearly 6 per cent, mirroring gains in the Asian and European markets. It, however, gave up half the gains in the last hour of trade as the relief measures announced by FM Nirmala Sitharaman left investors disappointed.

Experts said investors were pinning hopes on a big-bang stimulus package from the FM, who addressed the media at 2 pm.

"The market came off highs as no significant announcements were made by the finance minister and the fact that the economic package was still in development," said Vinod Nair, head of research at Geojit Financial Services.

The Sensex after climbing to 27,463 settled at 26,674, up 693 points, or 2.7 per cent. The Nifty rose 2.5 per cent, or 191 points, to end at 7,801.

Meanwhile, some Asian and European markets rose as much as 7 per cent, boosted by the Fed's move and also as the number of new coronavirus cases in Italy slowed for a second day.

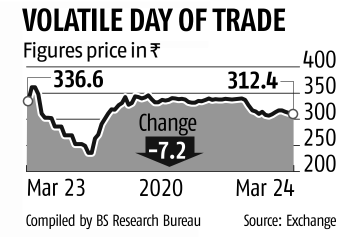
Many investors expressed disappointment as the Indian markets underperformed its global peers, both on the way down on Monday and also on the way up on Tuesday. "The Indian markets gained the least among the Asian and European markets continuing its underperformance," said Deepak Jasani, head retail research, HDFC Securities.

Vikas Khemani, founder, Carnelian Capital Advisors, said: "The government should work with supersonic speed and announce a stimulus plan. Businesses will have no money to fund their fixed costs in the absence of revenues. There will be serious liquidity constraints in the economy. Its second and third order impact can be scary and can push economy into depression."

Rebuilding confidence, asset quality: Kathpalia's task at IndusInd Bank

HAMSINI KARTHIK & ABHIJIT LELE
Mumbai, 24 March

VOLATILE DAY OF TRADE



Compiled by BS Research Bureau
Source: Exchange

SCORECARD

Asset quality and capital burn

(%)	Slippages	CAR
Q3 FY18	1.6	15.3
Q4 FY18	3.0	14.6
Q1 FY19	1.6	14.3
Q2 FY19	1.4	13.9
Q3 FY19	2.5	13.8
Q4 FY19	10.2	13.7
Q1 FY20	1.9	14.5
Q2 FY20	2.7	14.3
Q3 FY20	4.5	13.5

CAR: Capital adequacy ratio
Source: Brokerage reports

SUMANT KATHPALIA MAY HAVE HOPED TO BE WELCOMED BETTER BY THE BOURSES ON HIS FIRST DAY AS INDUSIND BANK'S NEW BOSS. BUT, TUESDAY'S STOCK REACTION WAS ALSO AN INDICATOR OF THE CHALLENGES AHEAD OF HIM

The transition from a cabin to corner office for Sumant Kathpalia, the newly appointed managing director & chief executive officer of IndusInd Bank, comes at a time when few things are working in favour of the lender, especially asset quality and its share price, which hit the lower circuit thrice during the Tuesday's opening trade. Though there was some recovery, the stock closed with a loss of over 7 per cent.

Kathpalia may have hoped for a better welcome by the bourses on his first day as IndusInd Bank's new boss. However, Tuesday's stock reaction was also an indicator of the challenges ahead of him — probably the toughest faced by the bank in the past decade.

At ₹312.35 apiece, IndusInd Bank (IndusInd) trades at an eight-year low and at these levels, it also indicates that investors' risk-aversion may be the highest for the stock. From that standpoint, Kathpalia has two critical and urgent tasks cut out — revive investors' confidence and stabilise asset quality.

Outgoing MD & CEO Romesh Sobti, who was at the helm for over 12 years, had tried to assuage these concerns. "But with each passing day and lockouts gripping the country, one isn't sure how much to accept these words from the management as positive guidance," said an analyst from a domestic brokerage. Even last week, Sobti reassured investors that the bank's net non-performing assets (NPA) ratio would fall to less 1 per cent from 1.05 per cent seen in the December quarter (Q3).

In the current circumstances, analysts say, the bank needs to post good numbers both on growth and asset quality, for at least three consecutive quarters under Kathpalia's leadership

However, in the current circumstances, analysts say, for at least three consecutive quarters under Kathpalia's leadership, the bank needs to post good numbers both on growth and asset quality. This becomes imperative if his aim to repair the bank's image. "Restoring confidence is critical and the new management will have to rebuild trust with investors," says Kajal Gandhi of ICICI Securities.

The Street had turned cautious on IndusInd when for two successive quarters, its gross NPA ratio stayed unabated in the 2.18-2.19 per cent range. "Unless we see good numbers, it's tough to think that net NPA ratio could fall to less than 1 per cent," said another analyst.

What compounds the problem is the sustainability of loan growth. At 20 per cent growth, Q3 was a forgettable quarter for the bank. "He (Kathpalia) is moving into the driver's seat when the economic slowdown will entrench further," says a senior executive of another private bank. "It will bite every sector of the economy and put severe pressure on income and asset quality."

The silver lining is that Kathpalia isn't an outsider to the bank and hence, the ritual that most incumbent CEOs do — clean up the books, churn top-level management — may not be the case with him. "So the probability of kitchen sink cleaning appears low," says Gandhi. Therefore, she says what has already been identified as stress could only come under the hammer and no fresh worms could come out.

While IndusInd's exposure to three stressed accounts (Zee, Anil Ambani Group, and DHFL) declined to 0.47 per cent in Q3 from 1.1 per cent Q2, JPMorgan observes that the bank's telecom and real estate sector exposure (9.2 per cent of loan book) remains a concern and potentially an overhang. New stress may also emerge from the microfinance and SME book, amid the events taking shape in the economy.

The other favourable aspect is his leadership in the consumer banking business (over half of the bank's retail loans). Under Sobti, the bank has realigned its book to equally account for retail and wholesale loans. Kathpalia's task is to take this "retailisation" story forward, which given his background appears a reasonable ask.

A similar rebalancing in liabilities, especially deposits, also works to the bank's advantage. Unlike peers, IndusInd has been able to retain a sizeable chunk of low-cost current account-savings account (CASA) deposits in the last two years and at 42.4 per cent in the December quarter, it is placed in a sweet spot to tackle a moderate increase in the cost of funds. "Increasing share of retail deposits is also going to test Kathpalia's leadership," says a banker. Whether IndusInd has strived to retain its retail depositors' confidence amid the YES Bank fiasco will soon be known.

With 5.73 per cent blended cost of capital and net interest margin at an all-time high of 4.15 per cent in Q3, thanks to its high-yielding retail (including microfinance) book, Kathpalia may find a helping hand in these tough times. The new boss' ability to deliver on these fronts will be the critical piece to regain the Street's confidence.

Brokers face hurdles as states in lockdown

People working in the broking industry complained about difficulties in reaching offices because of the curfews imposed by various state governments. This prompted industry body Association of National Exchanges of Members of India (Anmi) to write the authorities. "Anmi requests government, Finance Ministry and Sebi for closure of share markets unless all state governments declare share broking and depository services as essential services exempted from lockdown and curfew," said VIjay Bhushan, president, Anmi. Industry players say while Mumbai, Gujarat, Rajasthan have declared capital markets as essential services on the ground they were facing difficulties convincing the authorities. Naresh Pachisia, MD, SKP Securities on Tuesday tweeted that "Mumbai Police is simply not letting colleagues commute to office." **BS REPORTER**

Centre, Sebi may remove tax on buybacks, LTCG to lift sentiment

SHRIMI CHOUDHARY
New Delhi, 24 March

In a bid to lift sentiment, the Centre and capital markets regulator Sebi are weighing the possibility of reducing the tax burden on investors. They are considering temporary removal of tax on share buybacks and on long-term capital gains (LTCG).

These measures could be part of an ongoing exercise to provide relief and exemptions to India Inc and investors, amid the turmoil caused by the stock market meltdown, due to a halt in economic activity.

People in the know said these measures are under serious consideration and could be announced after further deliberations between various stakeholders.

Investors have already swamped the government and Sebi with such demands as stocks of several companies have taken a beating.

Market participants believe the removal of buyback tax will prompt more firms to announce buybacks, which could help provide a floor to share prices.

In addition, the removal of LTCG tax will be a good sentiment booster given shares of most firms have dropped below the January 31, 2018 grandfathering date.

At present, investors have to pay 10 per cent LTCG on gains from equities over and above ₹1 lakh in a financial year.

The people said the government has asked the regulator to examine the changes in the tax structure and prepare a feasibility report.

The government is also looking at the revenue it may have to forgo if the buyback tax is removed.

Finance Minister Nirmala Sitharaman on Tuesday said Sebi and the finance ministry were monitoring the markets thrice a day.

In July 2019, there was a tax levied on buybacks by listed companies, in the Union Budget, meant to bridge the arbitrage between buybacks and dividend payouts.

"Any change in the structure of buyback tax would allow cash-rich corporates to buy more shares from investors and would certainly help them create value for remaining shareholders," said a market expert.

Sun Pharmaceutical, Dalmia Bharat, Motilal Oswal Financial Services, and Ramkrishna Forgings are some firms to have announced share buybacks in recent weeks. Earlier, Thomas Cook India and Granules India had announced buyback schemes.

Market participants believe the removal of buyback tax will prompt more firms to announce buybacks, which could help provide a floor to share prices

Besides, many promoters have bought shares from the open market to restore investor confidence and to raise their holdings at a time when share prices have fallen to multi-year lows.

Meanwhile, the regulator is said to have directed market intermediaries, including mutual funds, to go completely digital in dealing with Know Your Customer, subscription trading, and redemptions. At present, 30 per cent of the work requires physical documentation, especially in KYC and redemption procedures.

The regulator has taken a slew of measures to control volatility in markets. Last week, it had tightened norms for short-selling and had said that short positions in the derivatives market could not exceed the value of the holdings of the underlying stocks, or the collateral provided by them.

Further, it had imposed an additional position limit of ₹500 crore for the futures and options (F&O) segment.

THE COMPASS

Impact on infra capex may be worse than '08

As lockdowns affect projects, government spending on relief measures may limit future infra spends

UJJVAL JAUHARI

The COVID-19-led slowdown is likely to hurt the prospects of infrastructure players severely. Companies, which were already feeling the heat on project execution and project closures, may face more uncertainties related to project completion, new project financing, and future order flows.

The recent channel checks by HDFC Securities show that the call for janata curfew has resulted in project sites staring at closure. Players in the engineering, procurement and construction (EPC), transmission and distribution (T&D), road construction and building segments are all seeing their projects' progress getting impacted with the Central and state governments' directives for lockdowns and curfews.

Companies' focus on employee and labour safety amidst coronavirus pandemic is another reason for project commencements taking a back seat. Sandeep Upadhyay, managing director and chief executive, Centrum Infrastructure Advisory says that EPC players may still take the cover of force majeure clause as per contractual provisions (an extraordinary event and circumstances beyond their control), and asset operators (toll roads, etc) also have some coverage under insurance. However, there will be challenges for players who have bid for projects earlier and are awaiting financial closures. Bids with a longer-term view (10-15 years), lower revenues or lower traffic may hurt their near-term financials.

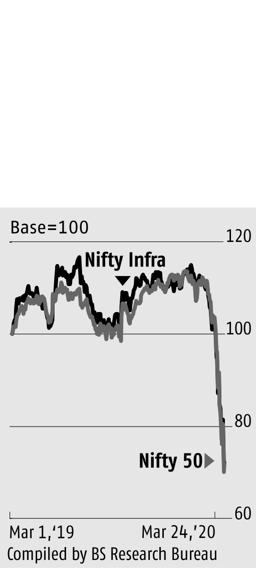
The government is already under financial stress and is now allocating funds for relief measures, which in turn, may limit its ability to fund future infrastructure projects. "The government's ability to spend on the infrastructure in next 1-2 years will get impacted," says an analyst at a domestic brokerage.

Lower input costs with a decline in commodity prices may be among the few relief measures for players.

In this backdrop, analysts say the impact of COVID-19 stress on infrastructure capex may be worse than that seen during 2008. During the financial crisis in 2008 and onwards, the heat was felt by players on export income, while domestic revenues largely remained intact and government spending was good. Only private capex took a hit and players like ABB, Siemens, and Thermax had seen some pressure. However, with the pressure on government capex, the current slowdown is likely to get worse for the infra sector.

Thus, analysts at Emkay Global say that even after the recent correction, investors should wait before dabbling in the sector, given the continued uncertainty on infra capex growth, which is further worsened by the COVID-19 impact.

Analysts prefer companies with a strong balance sheet. While Emkay prefers KNR Constructions, Cummins India, and PNC Infratech, HDFC Securities feels KEC International, Kalptaru Power Transmission with global operations are less impacted on the execution front.



Compiled by BS Research Bureau

Street betting on HUL to scale up VWash

Strong distribution network, firm's cost efficiency will help increase sales of acquired portfolio

SHREEPAD S AUTE

The stock of Hindustan Unilever (HUL) surged 7.6 per cent to ₹2,011 on Tuesday, outperforming the 3.2 per cent rise in the Nifty FMCG index. Besides the broader market recovery (Nifty50 was up 2.5 per cent) and the economic package indicated by the finance minister, the acquisition of VWash brand and portfolio announced on Monday, after market hours, supported the stock.

What made the Street positive about the deal — despite the minuscule size of the category where VWash is a market leader — were expectations of expansion of the market and brand size under HUL.

VWash is a feminine intimate hygiene brand launched by Glenmark Pharmaceuticals in 2013. It includes liquid wash, wipes, depilatory cream, and sanitary towels.

According to analysts at PhillipCapital, "HUL is positioned well to acquire brands that have hit a wall, despite being present in categories that are fast growing, although under-penetrated and niche."

The urban penetration of this category is sub-8 per cent. Analysts at Edelweiss Securities also echo similar views. "We have no doubts about HUL's ability to undertake market development," they said in a note.

The strong distribution network of HUL (9 million outlets), clear focus, and the company's cost efficiency are likely to help the high-margin VWash brand scale higher (and deliver high growth) in the medium to long term, as observed in case of Indulekha — a premium hair oil brand.

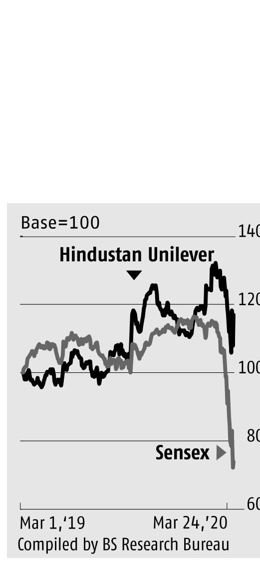
After acquiring it in 2016, Indulekha's turnover jumped 4x to ₹400 crore in less than five years; its earnings before interest, tax, depreciation and amortisation margin, too, expanded sharply to over 50 per cent in 2018-19, from 30 per cent, according to PhillipCapital.

The financial details of the deal weren't disclosed, but HUL's management expects double-digit growth of the VWash brand to continue. It also believes that the launch of low-unit or small packages will help increase the overall reach of the brand. The overall hygiene habits in the country, too, are expected to improve, in light of the current contagion.

The VWash deal — expected to fructify in a few months, along with GlaxoSmithKline Consumer Healthcare (GSK Consumer) — will strengthen HUL's presence in the chemist channel.

This will support the company's existing portfolio as well. HUL recently got all the approvals for its GSK Consumer acquisition; this is expected to be earnings accretive.

How the new category shapes up with HUL's overall efficiency and reach will be keenly watched. The stock is currently trading at 50x its 2020-21 estimated earnings.



Compiled by BS Research Bureau

Out of cash!

The ATM ecosystem continues to be mired in a quicksand, and the demand for a hike in the interchange hides a bigger mess, reports **Raghu Mohan**

Illustration: Ajay Mohanty

Your (automated teller machine) ATM withdrawal charges may have been waived for the next three months due to the COVID-19 crisis, but things could change significantly once things return to normalcy. And you may have to shell out ₹18 every time you pull out cash from the ATM. A year, and more after the outcry over the low interchange at ₹15, a confidential Mint Road review is said to have plumped for a hike of ₹3 per swipe. It will not go far.

"Even if it (interchange) were to move up to ₹18, it will only be a restoration to the level we were at a decade ago. Much has changed since," says Ravi B Goyal, founder-chairman and managing director of AGS Transact Technologies.

ATM numbers at 240,000 units are way off the mark to the London-based Retail Banking Review's forecast — the gold standard for the trade — of 400,000 ATMs by 2020. China has over a million ATMs. "I have stopped looking at RBR numbers," quips Loney Antony, vice-chairman and non-executive director on the board of Hitachi Payments.

And you now have whispers that managed service providers (MSPs), and cash-in-transit (CIT) firms have quoted ₹9,000 per ATM to a tender floated by State Bank of India (SBI) for the upkeep of 26,000 ATMs. This is ₹4,000 lower than what was being sought by the trade all along; all eyes are now on the bidding pattern that's set to unfold when HDFC Bank issues its tender down the line.

Just about every actor on the stage has muffed up the lines and the roles they were supposed to play. "It's a divided house. Everybody has their own agenda," concedes Antony.

PLUGGING GAPS

Non-bank players set up white-label ATMs under the following schemes

SCHEME A	SCHEME B	SCHEME C
Year 1: Minimum of 1,000 WLATMs **Year 2:** Twice the number of WLATMs (minimum) set up in yr 1 **Year 3:** Thrice the number of WLATMs (minimum) in yr 2	**Year 1, Year 2, and Year 3:** A minimum of 5,000 WLATMs is to be set up every year for three years	**Year 1:** A minimum of 25,000 WLATMs is to be set up in the first year **Year 2 and Year 3:** At least another 25,000 in the next 2yrs
A ratio of 3:1 will be applicable. For every three WLATMs set up in tier-3 to tier-6 centres, one can be installed in tier-1 to tier-2 centres. Of the three WLATMs in tier-3 to tier-6 centres, a minimum of 10% must be installed in tier-5 and tier-6 centres	A ratio of 2:1 will be applicable. For every two WLATMs set up in tier-3 to tier-6 centres, one WLATM can be set up in tier-1 to tier-2 centres. Out of the WLATMs in tier-3 to tier-4 centres, a minimum of 10% should be in tier-5 and tier-6 centres	The ratio of 1:1 will be applied. Of the WLATMs installed in tier-3 to tier-6 centres, a minimum of 10 per cent should be in tier-5 and tier-6 centres

No prior RBI permission is needed for rollout once a WLATM player picks up a scheme, but no switchover of schemes is permissible. WLATM operators cannot take over ATMs operated by banks

MAHESH RAMAMOORTHY
Managing Director (Banking Solutions), FIS

"HARDWARE AND SOFTWARE UPGRADES OUTWEIGH THE COST OF THE NEW MACHINE ITSELF"

RAVI B GOYAL
Founder-chairman and managing director, AGS Transact Tech

"A HIGHER INTERCHANGE AT ₹18 WILL ONLY BE A RESTORATION TO THE LEVEL WE WERE AT A DECADE AGO. MUCH HAS CHANGED SINCE"

Please try again!

Wrong codes were punched in by MSPs, CITs, ATM vendors as also the private equity (PE) firms backing this crowd. Mint Road's exacting circulars of April 12 and June 21 of 2018, and June 12, 2019, plus another by the Ministry of Home Affairs (MHA) on 8 August 2018 came at the wrong time: soon after demonetisation when the industry had yet to fully digest the additional costs due to the recalibration of ATMs and the extra load of feeding cash.

"I was the one who evangelised the need for global standards," says Suneel Aiyer, CEO of Writers Safeguard. His peers are most likely to remind him of the bill to comply with it: estimated to be anywhere between ₹1,500 crore and ₹3,000 crore per annum!

These new norms raised logistics costs: banks had to uninstall the Microsoft XP operating system in ATMs and upgrade them by June 2019; CIT firms were to go in for state-of-the art security systems when they carted cash and maintain a net-worth threshold of ₹1 billion.

The industry, as on date, is in violation of all these prescriptions, and has still not attracted the banking regulator's or the MHA's ire. This is being read as a clear indicator that the authorities know it's a huge mess.

"The bulk of the new ATM purchases were towards replacements during FY18 and FY19. We expect this trend to continue for some time alongside the new deployment of ATMs (at new locations). This is because hardware and software upgrades (which are a pre-requisite to compliance and security) outweigh the cost of the new machine itself," says Mahesh Ramamoorthy, Managing Director (Banking Solutions) at FIS.

The Confederation of ATM Industry, and the Currency Cycler's Association bat to protect their turfs; and the Payments Council of India is many things rolled into one. You also have the tussle between non-banks and banks on who picks the tab for the sundries: banks have cited the pressure on their bottom-lines, the bad-loan pile-up, et al. Query anyone on the crucial role that ATMs were to play in financial inclusion (they were to be a key cash-out point in direct-benefits-transfer scheme), and you will hear: "What's that?".

Only hard choices

"Every ATM has to be seen with its own P&L (profit and loss). If you have 150 transactions, then the current level of interchange is fine. If you need to accommodate the new security and MHA guidelines for CIT companies, then the current interchange is not enough to cover the cost. It must go up by at least a minimum of 25-30 per cent," explains Navroze Dastur, managing director of NCR Corp (India). He adds: "It is like a shop. If the footfalls are below a certain level, then you close the shop."

A way out of the logjam, according to Thyagarajan Seshadri, president (banking) at Electronic Payment and Services, is to deploy more cash recyclers. "Only about 30,000 units of the installed ATM base of 240,000 are recyclers. These can double up both as cash dispensers and acceptors (of deposits)", he says. Recyclers are costlier at ₹6 lakh a unit compared to the ubiquitous cash-dispensers priced closer to ₹3.5 lakh. There is also a case for Mint Road to revisit its white-label ATM (WLATM) policy. "Operators are the worst hit. Banks tend to give WLATMs low priority over bank-owned ATMs. They are also challenged with low brand equity, hence receive lower footfalls, which further hurt their operations," says Ramamoorthy.

The WLTAM policy was envisaged to let them do the heavy lifting work, and let banks focus on what's core to them. "Frankly speaking, the WLATM model is better than the brown-label one. You are not dictated by any bank and get your settlement the next day. The only challenge being the cost of cash and the availability of cash to load the ATMs."

For now, we are staring at a white elephant.

LIC in the time of Corona

GUEST COLUMN

AJAY GARG
Founder & MD, Equirus Capital

We have seen the market impact of coronavirus on SBI Cards' listing and there will be a question mark now on the other mega initial public offering (IPO) which is in the works — that of the Life Insurance Corporation (LIC).

The listing of LIC is being thought when it is still a pre-dominant player in the sector. This is just like in the case of the State Bank of India in 1993. Soon after, new private bank licenses were issued. We have seen that government decision-making wasn't as astute in the case of both Mahanagar Telephone Nigam (MTNL), and Bharat Sanchar Nigam. These weren't monetised at the right time, and don't have much value left today except for their real-estate assets.

LIC's maiden float, given the scale of its business and spread, provides an interesting opportunity for investors, but we have to see how the business gets defined once it is corporatised. It will have a bearing on the valuation to be derived thereafter, but it will be one of the mega-caps for sure.

In December 2003, China Life's IPO of $2.5 billion attracted $80 billion of capital (or 20 per cent of the Chinese listed market capital). It had a huge impact on the capital markets— within a year, MSCI's weighting for China doubled to 15 per cent.

It is expected that LIC's IPO will face a push-back from all sides as in the case of Air India's (AI) disinvestment.

In December 2003, ChinaLife's IPO of $2.5 billion attracted $80 billion of capital. It had a huge impact on the capital markets — within a year, MSCI's weighting for China doubled to 15 per cent

But unlike AI, which is a difficult equity story to sell, LIC will turn out to be a game-changer.

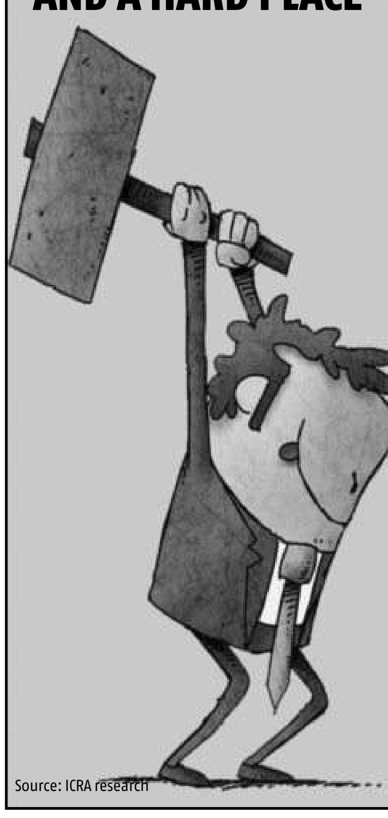
The state-run insurer's franchise and unique customer-acquisition model is hard to replicate. It is the predominant reason for its dominant market share, two decades after the sector was thrown open to private players. No other state-run entity — AI, Doordarshan or MTNL — has been able to retain market domination post opening up of a sector to private players.

The magnitude of LIC's dominance is demonstrated by the fact that it manages upwards of ₹25 trillion of policy-holder assets. This accounts for almost 80 per cent of the assets under management in the sector — roughly 12 per cent of India's GDP. High policyholder trust with a claim-settlement ratio of 98 per cent has resulted in every three out of four policies sold in the country belonging to the state-run insurer.

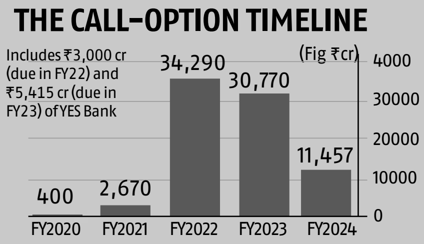
This dominance is further strengthened by a strong distribution franchise of nearly 1.1 million active agents accounting for 50 per cent of the life insurance industry's agency force — one of the largest on the globally. While the top five private insurers have cumulatively registered flat profitability over the period FY14-19, LIC has managed to consistently grow its profits. This can be attributed to its focus on traditional products which insulates it from volatile capital market cycles unlike top private players which focuses more on easy-to-sell unit-linked insurance plans.

Healthy premium growth led by a steady rise in awareness, innovative products, an evolving underwriting and aggressive distribution strategy has resulted in stellar performance by listed insurance companies in the past one year (HDFC Life: 48 per cent, SBI Life: 47 per cent and ICICI Prudential: 38 per cent). This has improved the attractiveness quotient of the sector from investors' perspective. Also, the recent outperformance of differentiated state-run stories such as the Indian Railway Catering and Tourism Corporation post-listing, should provide a strong backdrop for LIC's IPO.

BETWEEN A ROCK AND A HARD PLACE

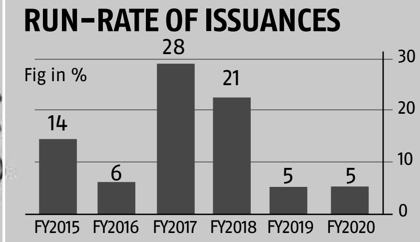


THE CALL-OPTION TIMELINE



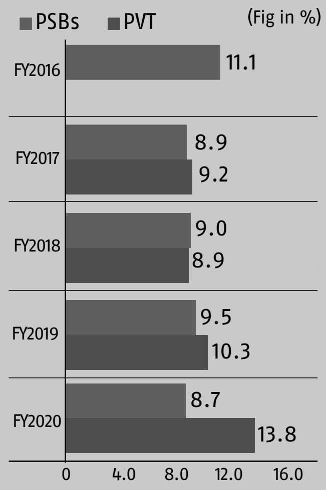
Data for the bonds outstanding as on March 6, 2020. Above data assumes the call option in 5th year from issuance, though few issues had a call option in 10th year.

RUN-RATE OF ISSUANCES



Includes the bonds issued by PSBs, which were subsequently included in PCA and they recalled these AT-1s prior to scheduled call option date

MOVEMENT IN COUPON RATES



Excludes the bonds issued by PSBs, which were subsequently included in PCA and they recalled these AT-1s prior to scheduled call option date

THE BANK-WISE AT-1 BOND SPLIT

(Fig ₹cr)

Bank	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	Total
Andhra	400	800	900	500	0	0	**2,200**
BoB		500	2,325	1,350	0	3,397	**7,147**
Canara		0	1,000	0	0	1,500	**2,500**
Indian		500	0	0	0	0	**500**
PNB		0	2,250	1,500	0	1,500	**5,250**
P&SB		0	0	1,000	0	0	**1,000**
Syndicate		870	1,930	450	0	0	**3,250**
Union		0	3,750	500	0	0	**4,250**
SBI		0	11,210	2,000	7,317	6,905	**27,432**
Axis		0	3,500	3,500	0	0	**7,000**
HDFC		0	0	8,000	0	0	**8,000**
ICICI		0	3,425	5,555	1,140	0	**10,120**
IndusInd		0	1,000	1,000	2,000	0	**4,000**
J&K Bank		0	0	0	1,000	0	**1,000**
South Indian		0	0	0	0	500	**500**

Data for the bonds outstanding as on March 6, 2020. Above data assumes the call option in 5th year from issuance, though few issues had a call option in 10th year

The writedown of YES Bank's additional tier-I (AT-I) bonds will result in risk aversion from investors even as it forces banks to rethink their capital concerns.

According to ICRA's estimates, ₹93,669 crore of AT-I bonds are outstanding as of now (it is ₹84,574 crore excluding YES Bank). Of this, ₹39,315 crore is the share of private banks issuances (₹30,620 crore excluding YES Bank). Most of these bonds were issued during FY17 and FY18 with a first "call" option after the fifth year from the issuance date.

Given the expected increase in the risk premium on these bonds, banks have incentives not to exercise the "call" option. On the flip side, a decision not to exercise this option can lead to a backlash from investors who have invested in these bonds from a five-year perspective.

Source: ICRA research

Bailout for YES Bank; nothing for PMC Bank

The regulatory approach to the blowouts could not have been starker

RAGHU MOHAN

The urgency with which a bail-out package for YES Bank was readied is in sharp contrast to the authorities' response to the blowout at the Punjab and Maharashtra Urban Co-operative Bank (PMC Bank).

The Reserve Bank of India's (RBI) freeze on YES Bank was only for thirty days; the entire regulatory apparatus worked overtime to breathe fresh life into it at taxpayers' expense. PMC Bank has been in quarantine from September 2019 onwards, and you have no game plan as yet — in public domain that is.

Last week, the central bank said that unlike in the case of commercial banks, it has no powers to draw up an enforceable scheme of reconstruction of a cooperative bank.

"Nevertheless, in the interest of depositors and the stability of the cooperative banking sector, the RBI, in consultation with various stakeholders and authorities, is trying to work out a scheme for revival of the bank," it said. And in order to take this forward, it is considered necessary to extend the aforesaid directions for a further period of three month.

It is tough if you are a PMC Bank depositor to be made aware now that you are not mainstream enough; or like say, from a regulatory standpoint, you were parking money in an entity which was only Basel-1 compliant (like all UCBs are). The RBI could have been proactive — a measure like having UCBs report exposures of ₹5 crore and above to the Central Repository of Information on Large Credits could have been taken ages ago.

The class-divide?

The deposit insurance cover for banks in the country — whatever be their hue — is the same. As before, the recent hike to ₹5 lakh per deposit holder from ₹1 lakh extended by the Deposit Insurance and Credit Guarantee Corporation (DICGC), makes for no distinction between classes of banks — be it on financial parameters, or the regulatory architecture they come under.

You also cannot argue that YES Bank was "systemically, a more important entity" than PMC Bank. Assume for a moment, you had double-trouble — involving what the central bank defines as "a systemically important bank (SIB)", and another which is not. Let's take YES Bank itself – it is not an SIB. Which one are the authorities to pick for an early, customised bailout?

The nature of the financial world is such that every entity chases another's tail. Its inter-connected nature means there will be a contagion — it does not matter how big or small a bank, or any other platform is. And banks are part of the settlement system unlike non-banks. Incidentally, PMC Bank was a "scheduled UCB". If anything, what the blowout at YES Bank and PMC Bank may lead to is a relook at what is seen as SIBs now.

Playing in the background

The proposed "Umbrella Organisation" (UO) for UCBs is to registered as a non-banking financial company (NBFC) and not as a co-op society. The idea was mooted by the NS Vishwanathan Working Group Report 12 years ago. He was of the view that the UO should ensure access to capital markets for UCBs.

The number of financially weak UCBs in the co-operative sector has declined over the years due to the measures taken by the RBI. The procedure of finding least disruptive exit routes for weak UCBs that do not come up with voluntary merger plans often become lengthy and prolonged. Such merger plans are, therefore, strongly encouraged to safeguard the interest of depositors. The, UO, hopefully, may be the way out.

The other development to watch out for is the issue of minimum networth norms for UCBs. Given the capital structure of UCBs, the matter could be looked at from the liabilities side. It may take the form wherein UCBs are allowed only to raise deposits of a certain size, and in some ways, linked to the insurable amount; this will restrict their ability to grow as in the past.

As for PMC Bank depositors, it would be a miracle if something can be done to pull it out of the mess. Recall, it took almost 16 years for the last depositor of Madhavpura Mercantile Cooperative Bank to be paid off. Now thanks to coronavirus, the entire regulatory bandwidth will now be taken up by mainstream entities.

TALE OF TWO BANKS

- The RBI's freeze on YES Bank was only for thirty days; PMC has been in quarantine from September 2019 onwards
- The central bank has no powers to draw up an enforceable scheme of reconstruction of a cooperative bank
- The ordinary PMC Bank depositor was not aware the bank was not mainstream enough; or from a regulatory standpoint, it was only Basel-1 compliant
- It is also wrong to say YES Bank was systemically, more important than PMC Bank. The RBI may take a relook at what is "systemically important" after the blowout at YES Bank and PMC Bank

Social media battles the epidemic of fakes

Google, Twitter, TikTok, Facebook team up with global health agencies and governments to put up the guardrails on the fake trail

NEHA ALAWADHI
New Delhi, 24 March

In the midst of the countrywide panic and pandemonium over Coronavirus, social media platforms have been grappling with a problem of their own. A sharp spike in fake news—posts on how the prime minister's call to applaud those at the frontlines of the fight back was timed so as to purify the air and improve blood circulation were shared widely. Ditto for all news about how Indians are leading the fight against the virus with ayurvedic and homeopathic cures and for conspiracy theories about the origins of the virus. The industry of fakes is bustling even as everything else is shutting down. Worse, none is exempt from its influence. For instance several celebrities gave wide currency to tweets that claimed that the prime minister had deliberately chosen 5 p.m. as the time for the applause because the country was moving under a particular constellation of stars that would imbue the clapping and applauding exercise with special miraculous potency to help fight the virus. After celebrities with hundreds and thousands of followers shared the post and retweeted it, Twitter and PIB rushed in to douse the fires with hashtags that debunked such notions. This is of course, just the tip of the iceberg. A plethora of home remedies have been swirling the airwaves as tried and tested cures or divine prescriptions to kill the virus.

On Friday, the Ministry of Electronics and Information Technology (MeitY) wrote to social media platforms to "inform their users not to host, display, upload, modify publish, transmit, update or share any information that may affect public order and (is) unlawful in any way."

For the media platforms, it is a fraught moment. While usage peaks in times of anxiety, their inability to cross check every piece of information coursing through their highways makes it impossible to stop the flow of fakes. Doing nothing is not an option either, given the critical nature of the present crisis and also because the platforms have spent the most part of the past year running trust-building campaigns in the country.

As a combat strategy, thus far, the platforms have decided to outsource the trust problem. Hand over the handle to the experts seems to be the best way forward for most.

TikTok, owned by Chinese firm ByteDance, has tied up with the World Health Organization (WHO). WHO posts informative videos and has hosted two livestreams on March 17 and 19 that featured information about COVID-19. It was watched across 70 markets by almost 350,000 users. On Twitter a hunt for Covid19 or coronavirus (and other related terms) leads one to the Ministry of Health and Family Welfare (MoHFW) or the WHO. Facebook and Instagram too have a similar option. Google has tied up with MoHFW and launched "Do the Five," a campaign around key precautions to prevent contracting and spreading the virus. It has also issued push notifications on the Google app for Android and iOS (Apple) users in India highlighting this information.

On YouTube, Google has a promotional card on the Homepage that links out to the MoHFW website for up-to-date information. Search results and videos about coronavirus also appear alongside information from reliable sources like the WHO, and curated playlists on topics from tips for preventing spread of the virus, to working from home more effectively are prominently displayed.

Facebook-owned WhatsApp has partnered with the Ministry of Electronics and Information Technology and MoHFW to launch a chatbot that deals with virus-related anxieties. This is similar to one that it has globally, with the WHO.

The MyGov Corona Helpdesk was launched last week and works on an IVR-like interface that lets users select the information they want by choosing the options provided. There also campaigns and challenges being posted on Twitter and TikTok, some have the support of WHO and local governments while some have been initiated by the marketing teams of big brands. Some initiatives are global, such as the #SafeHands challenge, while some are local and supported by the big brands.

No doubt, say experts, the social media platforms have rushed in with tightened communication controls and stronger protocols this time around, but is it enough?

BREAKING THE CHAIN

- WhatsApp has set up a helpline with the ministries of Electronics and Information Technology and Health and Family Welfare
- Google has launched a campaign on hand-washing and social distance
- All social media platforms have partnered with the World Health Organisation to control the information flow

FROM PAGE 1

India locked down...

This will be used to increase testing capacities, provisions of personal protective equipment (PPE), isolation and ICU beds, ventilators, and other resources to fight the pandemic. He said the fund would also be used for training medical and paramedics.

"Co-ro-na yaani koi road par na nikle," the prime minister said in his speech, displaying a placard in Hindi. He said the pandemic had brought several developed countries, like Italy and the US, with some of the world's best health infrastructure, to their knees.In a 29-minute address to the nation, his second in a week on the pandemic, the prime minister lauded the people for making Sunday's 'janata curfew' a success. He, however, said the 21-day lockdown would be a stricter "curfew" where they should not cross the "lakshman rekha", or the threshold of their homes.

Most states and union territories are currently under a lockdown at least until March 31, and the PM's announcement extends it by another two weeks. "Jaan hai toh jahan hai (the world exists only when we live)," he said, recalling a Hindi idiom to stress the urgency of his appeal.

"To save India, to save every Indian, there will be a complete ban on people from stepping outside their houses from 12 midnight today," he said. "Lockdown is being imposed on every state, union territory, district, village, mohalla and street," the PM said. Amid reports that some people had resorted to self-medication to cure the disease, Modi cautioned people to not take any medicines without the advice of the doctor.He said there would be a massive economic cost because of the lockdown, but it needed to be done to save India, save each and every citizen of India.

Modi appealed to the people to follow the advisories and instructions of the Centre and state governments.

"Please remember that those infected with coronavirus initially look healthy, and do not show any symptoms of the infection," Modi said."It took 67 days for it (COVID) to infect one lakh people at first, but only 11 days to reach a total of two lakh people. This is even more alarming that it took only four days for this disease to reach three lakh people from the count of two lakh. If we want to restrict the spread of the coronavirus, we will have to break its chain of infection," the prime minister, pointing at the World Health Organization data, said.

Modi said when coronavirus spread in countries such as China, the US, France, Germany, Spain and Iran, their systems collapsed under the weight of the number of patients. "Please remember, the health infrastructure of Italy and the US is one of the best in the world and despite that these countries could not check the spread of coronavirus," Modi said.

He said India was at a stage when the next 21 days would decide its future.

He asked people to spare a thought for those who were risking their lives to provide essential services — doctors, nurses, police officials, those cleaning public places, and media professionals. The PM said the Centre and state governments were working round the clock to ensure people got essential supplies. He said this grim period was going to be a difficult time for the poorest, but the priority right now was to save lives. Modi said he asked state governments to focus on providing health care to people. He said the private sector's cooperation in this hour of need was a matter of satisfaction, and private hospitals and labs were helping the government's efforts.

The PM asked the people not to get misled by rumours. He lamented that some people suffered from this wrong mindset that only infected persons needed to follow social distancing, warning that such a view could endanger the lives of others and their loved ones.

Govt mulls...

Newly incorporated companies will get an additional six months to file the declaration for commencing business. For a director in any company who has not fulfilled the requirement of minimum residency of 182 days shall not be treated as a violation of law.

The government has also relaxed the mandatory requirement of holding board meetings within prescribed interval by 60 days for the next two quarters. If independent directors have not attended a single board meeting in 2019-20, the same will not be seen as a violation for the financial year. The corporate affairs ministry has also issued a moratorium on the MCA 21 registry from April 1 to September 30. Companies will not have to submit any additional fees for late filing during this period. The deadline for investing 15 per cent of debentures maturing in certified instruments and the requirement of 20 per cent deposit reserve has been moved from April 30 to June 30.

Bond market...

This would entail buying or selling bonds to maintain the statutory liquidity ratio (SLR), covering call money obligations, etc. While trading from home, one cannot take calls even as trading can be done through web-based platforms. A bank treasury has a front office, mid-office and back office. None of those is working efficiently and, as such, nobody wants to pile up work. Trading-related activities have to be settled on the same day with regulators.

"The rate cut expectation is also playing a big part. The market doesn't want to part with bonds ahead of a possible rate cut," said Krishnamurthy.

As rates are cut, the bond yields will dip. And therefore, the prices of bonds will rise. Selling a bond before a rate cut would mean foregoing treasury profits.

But there is ample liquidity available in the system. The volume in the triparty repo platform, TREPS, where corporates and non-banks trade their surplus liquidity, has surged to ₹2 trillion as companies avoided investments to stay liquid.

The RBI is also infusing enough liquidity through special repo of ₹1 trillion, and by conducting ₹40,000 crore of bond purchases from the secondary market in March. But the abundant liquidity may not be enough to lure bond traders back. One such open market operations (OMO) happened on Tuesday where the RBI infused ₹15,000 crore of liquidity in the system.

"Abundant banking system liquidity is necessary, but not sufficient, when overall activities are facing a sudden stop," said Soumyajit Niyogi, associate director at India Ratings and Research.

With no food...

Meanwhile, there's been a ripple effect with the plight of the hapless drivers stuck at the borders reaching their co-workers. They are now refusing to report to work, says Singh. "With no food or requisite infrastructure in sight, they don't want to leave home." The delays are also because of the confusion regarding what is essential and what's non-essential, he adds.

"Everything has come to a standstill," he added. "There is a large exodus of drivers from the loading points. They are rushing home. Some 250,000 to 300,000 drivers have already left for their native places after handing over the keys to their owners," says SP Singh, senior fellow at IFTRT. All these trucks are carrying high-value items and the drivers cannot afford to leave them unattended. "We have been asking the government for a bailout package. Owners are not able to help in anyway. They are facing a lot of hardship. Most of them are not on the payrolls of the transporters and are on minimum wages," Singh said.

BS SUDOKU # 3007

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SOLUTION TO #3006

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Easy: ★★

Solution tomorrow

HOW TO PLAY

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COVID-19 death toll touches 10, cases at 519

PRESS TRUST OF INDIA
New Delhi, 24 March

The death toll due to the COVID-19 rose to 10 in India with Delhi reporting second death, while the number of positive cases, including casualties, reached 519 on Tuesday, the Union Health Ministry said.

West Bengal and Himachal Pradesh reported a casualty each on Monday, while seven deaths were earlier reported from Maharashtra (two), Bihar, Karnataka, Gujarat, and Punjab.

According to figures updated at 8.15 pm, the number of active COVID-19 cases were 469 while 40 people have been cured/discharged or migrated. The figure includes 43 foreign nationals and the ten deaths reported so far, the Health Ministry said.

Meanwhile, the latest Indian Council of Medical Research data says 536 individuals have been confirmed positive among suspected cases and contacts of known positive cases. A 65-year-old coronavirus patient died in Mumbai on Monday evening, the Brihanmumbai Municipal Corporation said. But this case was not counted in the health ministry 's latest figure.

CORONAVIRUS PANDEMIC

Kerala has reported the highest number of cases so far at 95, including eight foreign nationals, followed by Maharashtra, which recorded 89, including three foreigners, according to the ministry data.

Karnataka has reported 37 cases of coronavirus patients, while cases in Telangana rose to 35 including 10 foreigners. Cases in Rajasthan rose to 32, including two foreigners.

Uttar Pradesh has 33 positive cases, including a foreign national. Gujarat also has 33 positive cases, including a foreigner.

Cases in Delhi stand at 30, including one foreigner. In Haryana, there are 28 cases, including 14 foreigners, while Punjab has reported 29 cases. Ladakh has 13 cases, while Tamil Nadu has reported 15 cases, including two foreigners. West Bengal reported nine cases while Andhra Pradesh has eight patients. Both Madhya Pradesh and Chandigarh reported seven cases each. Jammu and Kashmir has four cases, so has Uttarakhand, including one foreigner.

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

In his second address to the nation in less than a week on COVID-19, Prime Minister Narendra Modi said the lockdown would be in force from Tuesday midnight, as he announced a Central allocation of ₹15,000 crore to strengthen the health infrastructure to tackle the disease.

A view of deserted flyovers during lockdown in the wake of the COVID-19 pandemic, in Kolkata on Tuesday PHOTOS: PTI

Policemen punish those flouting lockdown guidelines in Punjab's Patiala

Ensure smooth movement of bank staff: Centre to states

SOMESH JHA
New Delhi, 24 March

The Centre has asked state governments to ensure that cash logistics companies and bank staff do not face disruption while commuting to work during the nationwide lockdown announced to prevent the spread of the COVID-19 outbreak.

To ensure that customers do not face difficulties in withdrawing cash from ATMs, Finance Minister Nirmala Sitharaman on Tuesday announced that public sector banks (PSBs) would not charge additional fees for withdrawals through debit cards for three months. The Centre has separately told banks to ensure availability of adequate cash at the kiosks.

Banks offer five free ATM withdrawals and charge up to ₹20 per transaction (the fee varies from bank to bank) beyond that. While the FM's announcement was made for PSBs, the Indian Banks' Association will issue a similar advisory to private banks soon, a finance ministry official said.

In a letter dated March 24 to the chief secretaries of all states, the department of financial services in the finance ministry asked them to ensure that banks' and the Reserve Bank of India's staff, cash logistics firms' employees (along with ATM maintenance personnel) and the National Payments Corporation of India personnel are able to travel without disruption.

"Consequent to the government's strong measure on social distancing and lockdown to check further spread of the virus in India, it is expected that people's need for and reliance on electronic or digital modes of payment and ATMs for cash withdrawals will be greater in the days to come," the ministry said in a communiqué.

The ministry had also written to the RBI, NPCI and IBA on March 23 to take all necessary steps "to ensure that all electronic or digital payment modes and channels function in an uninterrupted and seamless manner."

Centre bans export of sanitizers

The government on Tuesday prohibited the exports of sanitizers in the wake of a shortage situation in India. It also made a minor amendment to the earlier ban on export of ventilators. BS REPORTER

EC defers Rajya Sabha polls scheduled for Mar 26

The Election Commission has deferred the Rajya Sabha polls scheduled for March 26 in view of the COVID-19 outbreak, an official statement said on Tuesday. PTI

Tamil Nadu to set up ₹770-crore API Park

Tamil Nadu government has announced setting up of an Active Pharmaceutical Ingredients (API) Park in the state, with ₹770-crore investment. It also committed ₹3,280 crore to fight the COVID-19 outbreak. BS REPORTER

UP sugar mills apply for licence to make sanitizers

Amid rising demand for sanitizers, private sugar mills in Uttar Pradesh have applied for drug licences to manufacture the product at their captive distilleries. BS REPORTER

Italy records 743 deaths, global toll nears 17,000

Italy reported a sharp rise in its coronavirus death toll on Tuesday, with 743 more victims. The number of deaths around the world from COVID-19 stood at 16,961, according to a tally compiled by *AFP*. AFP/PTI

New hantavirus emerges in China, 1 killed

A man in China's Yunnan province has died of hantavirus, a disease spread by rodents, official media said. He died while on his way back to Shandong province for work on a chartered bus on Monday. AFP/PTI

Airlines seek govt help to pay staff salary

Passengers at the Indira Gandhi International Airport in New Delhi on Tuesday PHOTO: DALIP KUMAR

ARINDAM MAJUMDER
New Delhi, 24 March

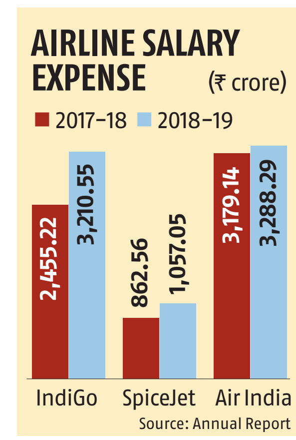
Airlines have sought help from the government to help them pay employees' salaries as the COVID-19 outbreak has forced the authorities to stop air transport till April 14.

Sources aware of the development said, chief executive officers of airlines have asked the government to bear 50 per cent of three months' salaries of employees. The demand emanates from the government direction stating that companies shouldn't fire employees even if functions are stopped because of the pandemic.

"In the backdrop of such challenging situations, all the employees of public or private establishments are advised to extend their coordination by not terminating their employees — particularly casual or contract workers for their job or reduce their wages," an advisory issued by the Ministry of Labour and Employment said.

Executives of airlines said it is difficult to pay employees as already they function on a wafer-thin margin and are mostly dependent on cash flows, which comes from forward ticket sales.

Airlines say that even after air transport resumes on 15 April, consumer demand will be very weak forcing them to ground many aircraft.



"The period of pain has just started. It's not that as soon as the ban lifts we will see full flights. It will take at least six months for customer confidence to return. There is an urgent need of government intervention," the executive said.

According to a government calculation, Indian airlines may operate only 30 per cent of their fleet for the next two months.

"Our cash flow is nil but the fixed costs stay the same. Unlike other businesses, if aircraft don't fly we still will have to pay lease rentals and salaries. Government should bear some of that burden if they want the business to survive," said an executive of a private airline.

Except IndiGo, other airlines don't have the cash balance to see through a prolonged crisis. IndiGo CEO Rono Dutta on Tuesday assured the employees: "Let us be cognizant of the fact that during this temporary suspension we will be spending our cash reserves to continue to pay salary and benefits."

Government officials confirmed that such a demand has been made but said it was difficult to take care of all employees. Instead a package might be worked out to pay salaries of lower level employees.

A large portion of airlines' employees — like security agents, loaders, drivers, ground handlers — work on contractual basis and they fear that they could lose their jobs soon.

Employees of multiple airlines expressed anxiety. "Companies may not fire permanent employees on payroll as Prime Minister himself directed against it, but for contractual workers like us the future is uncertain," said Manoj Saikia, who works as check-in desk agent for a private airline at Agartala Airport.

GoAir has started terminating contracts of expat pilots since the first week of March. SpiceJet has decided to curtail notice period of around 20 pilots, who recently resigned.

Pandemic to cause global recession in 2020: IMF

The COVID-19 pandemic will cause a global recession in 2020 that could be worse than the one triggered by the global financial crisis of 2008-2009, but world economic output should recover in 2021, the International Monetary Fund (IMF) said on Monday.

IMF Managing Director Kristalina Georgieva welcomed extraordinary fiscal actions already taken by many countries to boost health systems and protect affected companies and workers, and steps taken by central banks to ease monetary policy. "Even more will be needed," she said.

Georgieva issued the new outlook after a conference call of finance ministers and central bankers from the Group of 20 of the world's largest economies, who she said agreed on the need for solidarity across the globe. REUTERS

Govt may delay wheat procurement

SANJEEB MUKHERJEE
New Delhi, 24 March

With much of the country under a lockdown due to the COVID-19 crisis, the central government is considering a fortnight's delay in starting its annual wheat procurement programme, to prevent farmers and others crowding at any place.

It is also considering delaying procurement of paddy from some parts of Maharashtra, a hint of which was given by Food Minister Ramvilas Paswan in reply to a tweet on Tuesday. The government of Punjab, officials said, had asked for the two-week delay in wheat procurement. In Haryana, it usually starts from April 1.

In Madhya Pradesh, a leading wheat producer in recent years, there is a possibility that procurement get delayed as most wholesale centres (mandis) have been closed due to the lockdown. In normal years, procurement begins before April 1.

"Several big states have expressed their desire to delay the annual wheat procurement in the light of COVID-19 restrictions and a final decision on this is expected soon," a senior government official said.

If procurement operations are allowed, he noted, mandis in north India could see a massive influx of farmers, labourers and other support staff, putting all of them at the risk of COVID-19. India's annual procurement of wheat is 30-35 million tonnes (mt).

A delay in procurement would also mean farmers would need to hold the harvested crop at their own risk, exposing it to inclement weather. "In such a situation there should be some relaxation given in the quality parameters as well," a farmer leader from Madhya Pradesh said.

India's wheat crop was estimated at a record 106.21 mt in the second official Advance Estimate some months earlier.

Coronavirus shadow on bankruptcies

RUCHIKA CHITRAVANSHI
New Delhi, 24 March

A promoter of a stressed mining company had been working with financiers for weeks, almost ready with a plan to reach a settlement with the banks. The deal was about to be closed. But last week, the investment committee formed to give a final go-ahead refused to discuss the plan due to the changed market dynamics amid the COVID-19 pandemic. The company, a person close to the matter said, is now facing the threat of bankruptcy.

"Many funds who invest in such assets do it through their indirect portfolio which includes stocks, mutual funds etc...markets have tanked and now funds are in deep trouble," he said. As COVID-19 affects the markets and economy, companies are bracing for the impact it would have on bankruptcies — both new and ongoing.

"There is an impact on bankruptcy. Acquirers don't want to evaluate the assets in these uncertain times. Many acquirers are facing liquidity crunch due to impact of stock prices as well as lockdowns. This will push back deadlines for ongoing insolvencies," said Anshul Jain, partner, PwC India.

The Centre is drawing up a relief package for industry with steps such as relaxation of asset-classification norms by banks, thus allowing firms to delay the repayment of loans, and tax holidays for sectors like aviation and hospitality. But it might not be enough to stop more bankruptcies from getting filed.

Finance Minister Nirmala Sitharaman's announcement on Tuesday that after monitoring the situation the government might consider suspending the provision for triggering insolvencies for a period of six months under section 7, 9 and 10 of the Insolvency and Bankruptcy Code could bring a much needed breather for companies.

The IBC allows operational creditors and promoters themselves to trigger insolvencies. Experts say while financial creditors such as banks may not go through that route, the operational creditors are thinking on these lines. Many are considering invoking the force majeure clauses which refer to unforeseeable circumstances that prevent someone from fulfilling a contract.

While contracts where the government is a party, such as a road contact with the national highway authority of India, there is no impact of such clauses, but when a private party comes into the picture such clauses are a cause of worry. "The government is looking at it more liberally...But in a lot of private commercial contracts, epidemics or health emergencies are not considered as force majeure. This is impacting even genuine cases where the delay is not intentional but is forced due to this pandemic. But parties are considering that as an event of default for those contracts. It's a matter of time that we will start seeing those litigations appear in courts and NCLTs," Jain said.

As far as filing insolvency applications goes, there could be a rise. But how many of these will be admitted by the National Company Law Tribunal is a matter of question. Therefore, experts feel more cases could be filed but less admitted.

In case of homebuyers, if a builder is unable to deliver the project because some equipment is to be imported from China, the tribunal may take a view in favour of the builder.

The lockdown in China has resulted in supply disruption for many sectors. A study by SBI said supply shock was akin to higher price of inputs, which affects the price of all the commodities up the supply chain. "This will have implications for the banking sector," the study said. "Extension has to be given to the firms to be declared NPAs," said Soumya Kanti Ghosh, chief economic advisor, SBI. However, experts said many would also try to take advantage of the situation and blame the delay on COVID-19.