Economy

THURSDAY, MARCH 26, 2020

SUPPLYING FOODGRAIN

Prakash Javadekar, Union I&B minister

The government has decided to provide 7 kg of foodgrains per person to 80 crore people under the public distribution system, which is the world's largest food security system.

Quick View

Corona: MPLADS fund can be used

PARLIAMENTARIANS CAN NOW use Member of Parliament Local Area Development Scheme (MPLADS) fund for medical testing and other facilities required to detect and contain coronavirus, according to recently amended rules. The move follows appeals by some MPs, including Vivek Tankha of the Congress.

'Covid-19 to shave off ₹40k cr daily'

IF THE 21-DAY long national lockdown leads to 80% production loss, the economy will take a hit of ₹35,000-40,000 crore on a daily basis, shaving off ₹6.3-7.2 lakh crore cumulatively, says Care Ratings. The assessment is based on the FY20 real GDP that is ₹140-150 lakh crore. Assuming 300 working days in a year, the daily output comes to ₹45-50,000 crore which can potentially be lost due to the shutdowns.

Mosquitoes not corona carriers

CORONAVIRUS INFECTION CANNOT be transmitted through mosquito bites, the Union Health Ministry said on Wednesday while dispelling some commonly spread myths about the disease since its outbreak in the country.

Indelible ink for home quarantine

DESCRIBING CORONAVIRUS OUTBREAK as an extraordinary situation, the EC has allowed use of indelible ink to stamp individuals for home quarantine.

COVID-19

Govt bans export of anti-malaria drug

ICMR has recommended use of hydroxychloroquine for treating healthcare workers handling suspected or confirmed coronavirus cases

PRESS TRUST OF INDIA
New Delhi, March 25

THE GOVERNMENT ON Wednesday banned export of anti-malaria drug hydroxychloroquine with immediate effect to ensure sufficient availability of the medicine in the domestic market. The Indian Council of Medical Research (ICMR) director general Balram Bhargava had on Monday recommended the use of hydroxychloroquine for treating healthcare workers handling suspected or confirmed coronavirus cases and

also the asymptomatic household contacts of the lab-confirmed cases.

The treatment protocol recommended by the ICMR-constituted national task force for Covid-19 has been approved by the Drug Controller General of India (DGCI) for restricted use in emergency situations.

In a notification issued on Wednesday, the Directorate General of Foreign Trade (DGFT), an arm of the commerce ministry which deals with export and import-related matters, said, "The export of hydroxycloroquine and formulations made from hydroxycloroquine is prohibited with immediate effect."

It, however, said the government will allow export of the medicine on humanitarian grounds on a case-to-case basis on the MEA recommendation.

Export will also be permitted from the special economic zones/export-oriented units and in cases where the outbound shipment is made to fulfil export obligation under any advance authorisation licence issued on or before the date of this notification, which is March 25, 2020.

"Export will be allowed in case of shipments where irrevocable letter of credit has been issued before the date of this notification and in case where full advance payment has been received by the exporter in India against specific shipment, subject to submission of documentary evidence," the DGFT said. According to some reports, demand for hydroxychloroquine and chloroquine has jumped after US President Donald Trump said these salts were effective in treating Covid-19.

MHA's fresh guidelines on lockdown exemption

PRESS TRUST OF INDIA
New Delhi, March 25

THE HOME MINISTRY on Wednesday issued fresh guidelines covering additional people and services who will be exempted from the 21-day lockdown announced by Prime Minister Narendra Modi.

In the new guidelines, the ministry said Reserve Bank of India and RBI-regulated financial markets, pay and accounts officers and field officers of the CAG, petroleum products and supply chain and forest staff are exempted from the purview of the lockdown.

Those people handling cargo operations in airports and railway stations, coal mining activities, officers and staff of resident commissioners based in Delhi and customs clearance at ports, airports and land borders are also exempted.

After Modi's announcement, the home ministry on Tuesday night issued some guidelines for enforcement of the nationwide lockdown.

States told to ensure smooth e-comm services functioning

BANIKINKAR PATTANAYAK
New Delhi, March 25

AS PEOPLE RESORT to panic buying amid a lockdown, the department for the promotion of industry and internal trade (DPIIT) has issued a five-point instruction to state governments to ensure operations of manufacturers, wholesellers and retailers of food products and medicines and their delivery services are not 'obstructed' in any manner.

E-commerce players dealing with these products and services, including Grofers, BigBasket, Zomato and Swiggy are allowed to operate. Despite this directive, some media reports have suggested that local police in certain states is not allowing food delivery agents or other key service providers to move around, causing a temporary disruption in supplies of critical goods or services.

In a letter to chief secretaries of all states on March 23, a day before a pan-India lockdown was announced by Prime Minister Narendra Modi, DPIIT secretary Guruprasad Mohapatra said, "For the consumer items to be readily

available in the market, all food processing companies should be allowed to keep their manufacturing facilities open under the strictest of safety and hygiene guidelines and any executive order or section 144 restrictions should include the exemption of these manufacturing facilities, distribution and sales channels servicing the food and beverage market, including food delivery services, as also employees associated with such activities."

The secretary has also asked for adequate steps to ensure smooth interstate movement as well as supply of goods and services — especially for e-commerce and food processing — and smooth functioning of their delivery agents.

Similarly, he has directed that organised trade, including

Some media reports have suggested that local police in certain states is not allowing food delivery agents or other key service providers to move around, causing a temporary disruption in supplies of critical goods or services

cash and carry, chemists and pharmacies that stock and sell food products and medicines must be allowed to remain open.

Workers and operators at the retail outlets, pharmacies and manufacturing units should also be allowed to travel to their unit to carry out their responsibilities. Even transport vehicles carrying raw materials to the processing units need to be permitted without any hindrance.

"Your attention to this item of work will go a long way in maintaining requisite flow of essential goods, preventing panic purchase and ensuring we all keep safe in these challenging times," Mohapatra said.

INTERVIEW: MANSUKH L MANDAVIYA, chemical & fertilisers and shipping minister

'New API/bulk drug schemes to reduce reliance on imports in a big way'

Despite being the world's third-largest by volume, the Indian pharmaceutical industry depends a lot on imports to meet its raw material needs. The recent Cabinet approval for promotion of bulk drug parks and domestic manufacturing of key starting materials (KSMs), drug intermediates and active pharmaceutical ingredients (APIs) will help a lot, chemical & fertilisers and shipping minister **Mansukh L Mandaviya** *tells* **Surya Sarathi Ray** *in an interview. Excerpts:*

What is the current status of API production in our country?

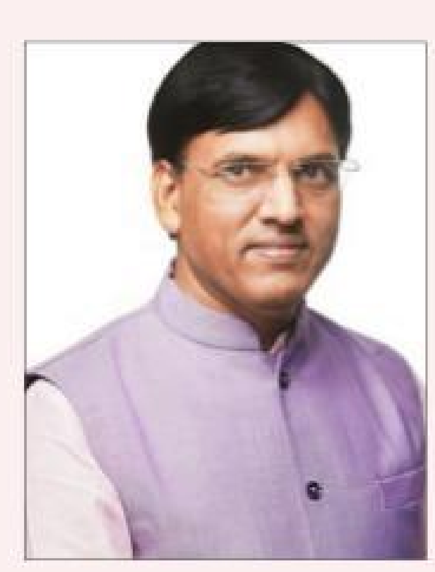
At present, India is dependent on imports of basic raw materials like KSMs, drug intermediates and APIs to produce medicines in the country. We import about 60-70% of the total requirement of APIs, largely for economic considerations. There are 53 APIs where import dependence is very high. We are importing APIs amounting to ₹42,000 crore while exporting APIs worth ₹36,000 crore.

What steps the government has taken considering the shortage of APIs production?

After the Narendra Modi 2.0 government assumed office, a task force was constituted in the Department of Pharmaceuticals, headed by me, with an objective of removing the imbalance in import and export of APIs, and also achieving drugs security in the country through domestic production of APIs and drugs. The task force has held wider and detailed consultations with various industrial associations. The reasons for the country's inability to domestically produce 53 critical APIs have been identified and a strategy for domestic production has been chalked out.

What about domestic production of medical devices?

India imports around 85% of medical devices. Though India produces medical devices indigenously, it depends on import of high-end ones in four categories — radiotherapy, radiology, anasthetic and



implants.

Where does the government stand now in its drug security commitment?

Our government is committed to ensure drug security. We are focused on this. My ministry has chalked out an umbrella scheme of ₹13,760 crore with four schemes on bulk drug manufacturing and medical devices manufacturing in the country to achieve national security of drugs.

Will the latest Cabinet decisions ensure self-sufficiency in API production?

The Cabinet has recently approved all the four schemes. The bulk drug scheme will help establish three bulk drug parks with a minimum area of 1,000 acre where the Centre will provide grant-in-aid to the tune of ₹1,000 crore for creating common facilities like solvent recovery plant, power and steel units, distillation plants, common effluent treatment plants, etc.

The production-linked incentive scheme for bulk drug parks aims at giving incentive on an incremental basis. We have identified 53 critical KSMs/APIs and drug intermediaries, out of which 26 are fermentation-based and 27 are chemical-based. For fermentation-based raw material production, we will give incentive at 20% for the first four years, 15% for the fifth year and 5% for the sixth year on incremental manufacturing of raw materials. In case of chemical-based raw materials, we will give 10% incentive during the six-year period of the scheme.

In short, what is India going to achieve through these recent steps?

The expected outcomes would be – a) drug security through self-sufficiency in manufacturing of 53 critical bulk drugs, b) ensure the availability of various essential drugs listed under NLEM at affordable prices and c) cumulative reduction in imports by around ₹46,400 crore in next eight years.

Moreover, at the end of five years, import substitution per annum will be ₹8,500 crore, against current imports of ₹19,000 crore of specified drugs. The schemes would also create 7,000 direct employment and 14,000 indirect jobs.

From the Front Page

Delhi infections can cross 2 lakh: ICMR study

THE 10-MILLION number in the worst-case scenario suggests the numbers put out by Ramanan Laxminarayan of the US-based Center for Disease Dynamics, Economics and Policy are not as outlandish as many have made out to be. Laxminarayan had estimated that 1 million people could eventually die in India while the number getting infected could be over 300 million.

The ICMR study, to be part of a special edition of the Indian Journal of Medical Research, chose Delhi along with Mumbai, Bengaluru and Kolkata as these are the big entry points for those coming from countries badly impacted by the pandemic.

ICMR has two models, an optimistic and a pessimistic one. In the optimistic model, one infected person infects 1.5 persons, while in the pessimistic model, the infection is passed on to four people. The peak infection comes 200 days after the onset in February in the optimistic scenario and within 50 days in the pessimistic scenario. In the optimistic scenario, the peak infected are 1.5 million and this rises to 10 million in the pessimistic scenario.

Researchers from ICMR and Imperial College, London, arrived at the projections, based on their mathematical modelling to study the feasibility of limiting local infections through screening of travellers from countries with Covid-19 countries and the extent to which a Covid-19 strategy could be limited by quarantining.

If, however, the Delhi and Central governments are able to take adequate action like quarantining, things can be quite different. The optimistic scenario for Delhi changes sharply, if an intervention in which 50% of the infected are quarantined within three days of exhibiting symptoms - the total infections fall to 2,00,000, that, too, with the peak coming somewhere around 700 days from February.

For Mumbai, the optimistic scenario, with and without intervention, is 1,00,000 and 6,00,000, respectively. It is just under 1,00,000 and 5,00,000 for Kolkata and under 1,00,000 and 3,00,000 for Bengaluru.

Bullfight: Markets bounce back

FOREIGN PORTFOLIO investors, however, remained net sellers to the tune of ₹1,893 crore. Bank stocks were big gainers. While Morgan Stanley is of the view the bear market may be nearing its trough, others are calling it a relief rally.

The relief rally was driven by the big moves seen in Reliance Industries (+13.84%) and HDFC Bank (+12.41%), which contributed 1000 points in the Sensex's rise. Indian shares took cues from global markets which were all in the green, with the Dow Jones Industrial Average rising 11% on Tuesday, after the US reached an agreement on the $2 trillion stimulus package.

Even as market experts believe that some of the stimulus will end up in emerging markets, the pain is not yet over for Indian markets, which are down 36% from their recent peak. Andrew Holland, CEO, Avendus Capital Public Markets Alternate Strategies, called Wednesday's rise a relief rally. "The stimulus package announced by the US and the expectation of our own stimulus package will lend stability. I am not looking for a bottom but stability in the markets," he said.

Going by the rules of bear markets, which tend to last more than six months during which markets shed up to 60%, Indian equities may not be near a bottom yet with 36% decline. Morgan Stanley said in its strategy note that the price decline of around 40% leaves some more downside risk on the table when compared with past bear markets. If not the bottom, the foreign investment bank is of the view that the bear market may be near its trough.

Following measures announced by the market regulator, volumes and volatility have come down. The India Volatility Index (VIX) declined and ended the day at 76.9%.

According to Umesh Mehta, head of research, Samco Securities, the market has reached a short-term bottom. "A short term bottom is basically when stock markets have witnessed panic selling. If after few weeks markets trade flat, less stocks participate in rally, FPIs still continue to sell, we may see another down let, but for the moment we should see stability in prices," said Umesh Shah, head of research, Samco Securities.

Bourses in South Korea, Hong Kong and China traded in the green taking their cues from Dow Jones which closed making gains in the previous day's trade. Reliance Industries was up 13.8%. With the single biggest day gain since 2008, it was the top gainer on Nifty. According to market experts, Reliance Industries was up on the speculation of a block deal. HDFC Bank and Kotak Mahindra Bank were up 12.4% and 11.8% respectively. UPL and Maruti Suzuki rose by 11.4% and 10.5%, respectively. The biggest losers on the Nifty were IndusInd Bank, Indian Oil Company, Coal India, Wipro and Gail down by 3.3%, 3%, 2.8%, 2.1% and 2%.

Loan repayments start drying up

"REPAYMENTS HAVE been drying up over the last three-four days," a senior executive with a mid-sized bank with a sizeable presence in CV lending confirmed to FE. "It is more of a problem for NBFCs, but even for us, customers who rely on cash have been hit badly," he said.

The defaults are few as of now though they could go up if the coronavirus pandemic causes a prolonged disruption. Umesh Revankar, MD and CEO, Shriram Transport, said repayments could be re-scheduled for good borrowers. "We have not been penalising customers and will accommodate them for a one- to two-month delay. If the crisis lasts longer, we will need to see what the regulators say," Revankar added. He observed that collections in March have been reasonably good though there has been some delay.

While NBFC have asked the Reserve Bank of India (RBI) to allow their borrowers a three-month breather on EMI repayments, a forced moratorium is already playing out in the system, industry executives said. Analysts at Kotak Institutional Equities wrote Wednesday recoveries in Q4FY20 may be low as the recovery mechanism has practically ground to a halt, especially during the past 10 days of the month – a period crucial to collections. As state governments and local authorities enforce lockdown across the country and the movement of fleet operators' vehicles get severely restricted, the operations of their financiers have begun to get affected.

Ratings agency ICRA said delinquencies relating to loans for new MHCVs could continue to remain high during H1FY21 before any meaningful reversal in the trend. "The share of loans 90+ days past due (dpd) and 180+ dpd has nearly doubled to 6% and 3% respectively as on December 31, 2019. While the NBFCs focus strongly on improvement in collections in the final quarter of the financial year typically, it may not be so this year with all routine business activities likely to be severely impacted due to the spread of coronavirus," the agency noted.

Corona count doubles in 4 days

MADHYA PRADESH recorded 14 cases, Ladakh has 13, while Tamil Nadu has reported 18 cases, including two foreigners. West Bengal and Andhra Pradesh have nine patients each. Chandigarh as well as Jammu and Kashmir have reported seven cases each so far. Uttarakhand has four cases, including one foreigner. Bihar also has four cases. There are three cases in Himachal Pradesh while there are two cases in Odisha. Puducherry, Mizoram, Manipur and Chhattisgarh have reported a case each.

Prime Minister Narendra Modi announced a complete nationwide lockdown for 21 days from Tuesday midnight, asserting in an emotional appeal "with folded hands" that unless India's 130 crore people practice social distancing, the country will lose the war against coronavirus outbreak and slide back 21 years.

Govt steps in: Online grocers resume deliveries

ONLINE MEAT delivery firm Zappfresh said it has shut operations in all eight cities it delivers in. Despite specific guidelines exempting e-commerce companies engaged in the supply of essential items from the lockdown, delivery boys are being stopped by local authorities. "Special passes with a 21-day validity could be issued to e-commerce companies to operate smoothly," co-founder and CEO Deepanshu Manchanda said.

Later on Wednesday, Delhi chief minister Arvind Kejriwal said his government has decided to issue e-passes for people associated with essential services to commute during the lockdown. The CM said people ensuring essential services such as milk sellers, vegetable vendors and grocers can call helpline '1031' to get the passes on their mobile phones through WhatsApp.

According to LocalCircles, a community social media and consumer platform, about 79% consumers were unable to find essential goods on e-commerce apps during March 23-24 from 35% around March 20-22.

Deliveries had been disrupted with policemen in several states stopping delivery personnel citing the lockdown. The ministry of home affairs on Wednesday wrote to all states and Union Territories to ensure unhindered movement of essential goods and services during lockdown. Though the subject lies in the domain of state governments, an advisory by the MHA is generally not disregarded.

Pain relief: Govt likely to unveil ₹1.5-lakh-cr package

MODI ANNOUNCED the three-week shutdown in a late evening speech on Tuesday.

The government will also increase its borrowing plan for FY20-21, which starts from April 1, from the current planned gross borrowing of ₹7.8 lakh crore, both sources said. The sources added that the government had asked the central bank to buy some of the government securities being issued, a move not undertaken by the Indian central bank in decades, due to fears of inflation spiking.

"RBI will have to buy bonds like other central banks in the world," the first official said.

The second official added the government could also use the central bank's ways-and-means facility — an overdraft facility the RBI offers to the state — if it faces a cash crunch.

The finance ministry declined to comment on the plan and the RBI did not immediately respond to an e-mail requesting comment.

On Tuesday, finance minister Nirmala Sitharaman said the government will soon announce a package to address the coronavirus impact on the economy, while relaxing timelines for filing taxes and raising default thresholds for invoking bankruptcy proceedings.

—REUTERS

Cabinet decisions: Nod to supply of 2 kg extra subsidised foodgrain

GARMENT EXPORTS have witnessed a rollercoaster ride in recent years, despite the announcement of a ₹6,000-crore package in 2016, as the labour-intensive sector was hit by note ban and GST in quick succession.

In the April-January period of this fiscal, while exports of cotton garments rose just 4.4% year-on-year, those of man-made fibres dropped by 3.9%.

The Cabinet gave its nod to the construction of the Aligarh-Harduaganj railway flyover with a total length of 22 km. It is likely to be completed in five years, information and broadcasting minister Prakash Javadekar said after the meeting.

Regional rural banks are mandated to extend 75% of their total credit under priority sector lending (PSL) provisions to sectors. They play a critical role in addressing the credit requirements of agriculture sector and MSMEs, with a focus on small and marginal farmers, among others.

Already, the government has initiated structural consolidation of regional rural banks in three phases, thereby reducing their number from 196 in 2005 to 45 now, in a bid to enhance their efficiency and strength.

Commenting on relief to the poor in times of a country-wide lockdown, Javadekar said they are being provided highly subsidised grains and that the government is sensitive to their concerns.

To cope with potential demand for higher quantities of grain in the wake of a lockdown, the government had on Monday announced the supply of grain to states for three months on credit from the Food Corporation of India.

Separately, the finance ministry also announced that there won't be any pay cut for contractual workers employed with Central government ministries and departments if they don't come to work due to the spread of coronavirus.