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THE MARKETS ON MONDAY		Chg#
Sensex	28,440.3▼	1,375.3
Nifty	8,281.1▼	379.2
Nifty futures*	8,290.2▲	9.1
Dollar	₹75.6	₹74.9**
Euro	₹83.6	₹82.5**
Brent crude ($/bbl)##	22.2##	24.5**
Gold (10 gm)###	₹43,700.0▲	₹200.0

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

COMPANIES P2
CAPACITY UTILISATION OF FMCG PLANTS SET TO RISE

ECONOMY & PUBLIC AFFAIRS P4
MIGRANT SITUATION BRINGS BACK MEMORIES OF NOTE BAN: DRÈZE

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

DIRECT TAX SHORTFALL MAY BE AT 20-YR HIGH

India's direct tax collection for the current financial year ending March 31 is likely to see a whopping shortfall of about ₹1.5 trillion compared to the revised estimates for the first time in at least two decades, derailing the government's fiscal deficit goals. According to senior officials, the income-tax department estimates the collection to be between ₹10.5 trillion and ₹10.7 trillion against the revised target of ₹11.7 trillion. 4

COMPANIES P2

Corporates join hands to set up isolation rooms

Quarantine facilities are rapidly becoming important as Covid-19 cases steadily mount. The issue acquires significance, given the acute shortage of beds and rooms to handle confirmed and suspect patients. Apollo Hospitals said it was creating quarantine and isolation facilities for patients.

ECONOMY & PUBLIC AFFAIRS P4

RBI notifies 'fully accessible' G-secs

The Reserve Bank of India said on Monday it would issue a series of government securities under the 'fully accessible route'. These special securities will attract no foreign portfolio investor limits till maturity and are the first step towards Indian G-secs being listed in global bond indices.

No extension of financial year as of now: FinMin

The finance ministry has denied extending the financial year ending March 31 by three months. Social media was abuzz with rumours after a gazette notification on extending of uniform stamp duty by three months was issued. Various quarters had demanded extension of FY20 by three months amid difficulties due to Covid-19.

Govt's U-turn on 'limited community transmission'

Health ministry says it's still local transmission; use of the term on its website on Sunday was to highlight government's "action on field"

SHUBHOMOY SIKDAR & SOHINI DAS
New Delhi/Mumbai, 30 March

A day after a health ministry document mentioned "limited community transmission" of the Covid-19 pandemic in the country, the government asserted on Monday it had reached only a "local transmission" stage.

Offering little explanation of why the phrase "limited community transmission" was used in a standard operating procedure (SoP) document to transport a Covid-19 positive patient, health ministry's Joint Secretary Luv Aggarwal reiterated it was only local transmission. The term used in the website of the ministry was only to highlight the government's "action on the field", he said, without elaborating.

"We would be the first ones to get back to you to explain that, yes, there is community transmission in the country if need be," he said.

The government did not clarify if there was any intermediate stage between local and community transmission. A public health expert, however, said on grounds of anonymity that chances were high that community transmission had started in India.

"In fact, community transmission has started in all the countries where Covid-19 has affected the population," the expert said. Turn to Page 11

Migrants at Raxaul in East Champaran watch the India-Nepal border being blocked on Monday PHOTO:PTI

No plan to extend lockdown: Govt

The government on Monday said that there was no immediate plan to extend the 21-day lockdown amid fears that the shutdown of businesses across the country to counter the spread of coronavirus may trigger severe economic and social distress. The clarification by Cabinet Secretary Rajiv Gauba (*pictured*) came after hundreds of thousands of migrant labourers undertook long journeys to their homes.

In a tweet, the government's Press Information Bureau too clarified the same. PTI

CORONA FACTFILE

227 new Covid-19 cases in past 24 hours; **biggest spike**

5 deaths recorded in past 24 hours

1,251 total cases, of which 1,117 are active cases, 101 cured or discharged, 1 migrated

32 total deaths

38,442 tests done, of which 3,501 were done in the past 24 hours

PM Modi talks to heads of diplomatic missions via video conference to learn about situation there

Supreme Court to hear plea seeking food, shelter for migrants today

Market tumbles amid oil rout, virus spread

SUNDAR SETHURAMAN
Mumbai, 30 March

After posting sharp gains in the previous four trading sessions, the markets once again countered intense selling pressure on Monday, as the global shutdown due to coronavirus and slump in oil prices triggered fresh risk aversion among investors.

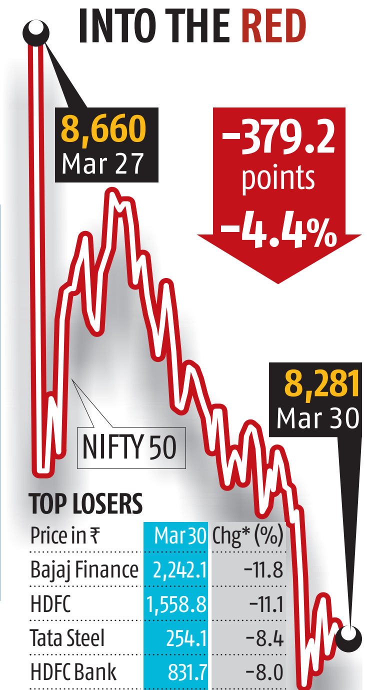
The Sensex dropped 1,375 points, or 4.6 per cent, to end at 28,440, while the Nifty 50 index declined 379 points, or 4.4 per cent, to end at 8,281. Financial stocks were the worst hit. Global oil prices crashed due to fall in demand because of the global shutdowns.

After some moderation in the past few sessions, the selling by foreign portfolio investors accelerated. On Monday, they sold shares worth nearly ₹4,400 crore, fretting over the economic impact due to the sudden halt to economic activity. "The forecasts released by brokers and various agencies for the economy and earnings across sectors are all negative," said Andrew Holland, CEO, Avendus Capital Alternate Strategies. Turn to Page 11

BRENT CRUDE HITS LOWEST SINCE NOV 2002

Oil prices fell sharply on Monday, with Brent hitting its lowest in 18 years. Brent future was down $2.54, or 10 per cent, at $22.39 a barrel by 22:51 IST, after earlier dropping to $21.65 per barrel. REUTERS

INTO THE RED



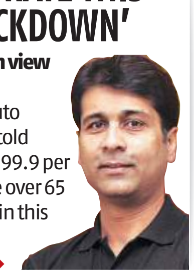
TOP LOSERS

Price in ₹	Mar 30	Chg* (%)
Bajaj Finance	2,242.1	-11.8
HDFC	1,558.8	-11.1
Tata Steel	254.1	-8.4
HDFC Bank	831.7	-8.0
ICICI Bank	313.4	-7.8

*1-day change(%) Source:Bloomberg/Exchange

'NEED TO RECALIBRATE THIS UNNECESSARY LOCKDOWN'

Q&A **Giving a contrarian view on the sweeping lockdown**, Bajaj Auto Managing Director **RAJIV BAJAJ** told **Surajeet Das Gupta** that when 99.9 per cent of the most vulnerable are over 65 years of age there was no logic in this lockdown in a country where 94 per cent are under 65. 2



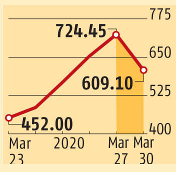
AUTO VOLUMES HIT SLOW GEAR, COULD SEE 50% FALL

Auto sales for March could see a 50 per cent year-on-year decline in volumes, given the lockdown and decline in footfall during the second half of the month. While sales of passenger vehicles and two-wheelers were expected to fall 40-50 per cent, sales of commercial vehicles are expected to dip 70-90 per cent.
RAM PRASAD SAHU writes 3

TELANGANA: 6 WHO ATTENDED MARKAZ IN NIZAMUDDIN DEAD | POLITICS BEHIND MIGRANTS' JOURNEY BACK HOME P12 | EDIT: TESTING TIMES P7

STOCKS IN THE NEWS

Shriram Transport Finance

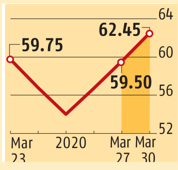


Fitch downgrades ratings

₹609.10 CLOSE

▼15.92% DOWN*

Delta Corp

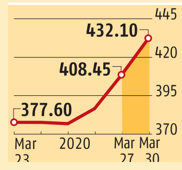


Approves share buyback at ₹100 per share via open market

₹62.45 CLOSE

▲4.96% UP*

Cipla

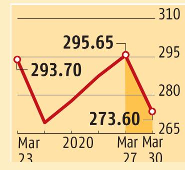


Top gainer among Nifty Pharma index stocks

₹432.10 CLOSE

▲5.79% UP*

Mahindra & Mahindra

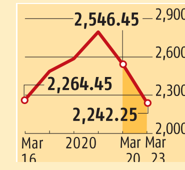


Company suspends all its manufacturing operations

₹273.60 CLOSE

▼7.46% DOWN*

Bajaj Finance



Lowest level since October 2018; down 50% in March so far

₹2,242.25 CLOSE

▼11.95% DOWN*

*OVER PREVIOUS CLOSE

IN BRIEF

Govt comes out with schemes for 'fresh start' for firms, LLPs

Seeking to provide a "fresh start" for companies and Limited Liability Partnerships (LLPs), the government on Monday extended the deadline for submitting filings without late fee till September 30. Besides, the entities would get immunity from penal proceedings with respect to delay in submission of requisite filings. The introduction of fresh start scheme for companies and revision in settlement scheme for LLPs come against the backdrop of the coronavirus pandemic that has also resulted in disruption of business activities. In a release, the corporate affairs ministry said the schemes are part of efforts to provide relief to law-abiding companies and LLPs in the wake of Covid-19. **PTI**

Extend prepaid validity for steady services: Trai

Telecom Regulatory Authority of India (Trai) asked telecom operators to extend the validity period of prepaid users to ensure that subscribers get uninterrupted services during the 21-day nationwide lockdown. **PTI**

Crew being given substandard gear: AI pilots' union to Puri

Air India crew members are being provided with substandard, ill-fitting and flimsy personal protective equipment (PPE) on special flights being operated during the lockdown, a union of the airline's pilots complained to Civil Aviation Minister Hardeep Singh Puri. **PTI**

Lockdown period to be excluded from IBC timeline: NCLAT

The National Company Law Appellate Tribunal on Monday directed that the lockdown period, as announced by the government, would be excluded for the purpose of counting of days for all ongoing insolvency matters, which are time bound. **PTI**

IAG sells 26% stake in SBI General for $310 million

Insurance Australia Group (IAG), the JV partner in SBI General Insurance, has completed the sale of its stake in State Bank of India-promoted general insurance firm to Premji Invest and Warburg Pincus group for $310 million. SBI said, "IAG has completed its sale of 26 per cent interest in SBI General in India." **BS REPORTER**

HDFC MF raises stake in SpiceJet to over 5%

HDFC MF has picked up 0.42 per cent stake in SpiceJet, taking its stake to 5.05 per cent. According to exchange disclosure, the transaction was concluded on March 19. Both HDFC Balanced Advantage Fund and HDFC Capital Builder Fund bought the shares of the airlines. **BS REPORTER**

Suzlon Energy's lenders approve debt resolution plan

Suzlon Energy has said all its lenders have agreed to its debt resolution plan. "State Bank of India has conveyed that the resolution plan of the company and its certain identified subsidiaries was approved by it," Suzlon said. **BS REPORTER**

Corporates join hands in fight against Covid

Led by Apollo Hospitals, firms to set up isolation rooms

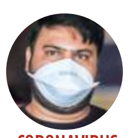
VIVEAT SUSAN PINTO & GIREESH BABU
Mumbai/Chennai, 30 March

Quarantine facilities are rapidly becoming important as Covid-19 cases steadily mount in India. The issue acquires significance given the acute shortage of beds and rooms to handle confirmed and suspect Covid-19 patients.

Integrated health care major Apollo Hospitals on Monday said it was launching an initiative called 'Project Stay I' to create quarantine and isolation facilities for coronavirus patients.

Part of its 'Project Kavach' programme launched on Thursday, the initiative has been supported by a number of corporate, financial and hospitality majors, making it the first of its kind in the country.

Under the initiative, Oyo, Lemon Tree, and Ginger Hotels will provide 500 rooms in the first phase of the programme involving five cities for patients to stay in isolation.



CORONAVIRUS PANDEMIC

Hindustan Unilever (HUL), Deutsche Bank and State Bank of India will take care of the cost of isolation, including cost of lodging, medical care and Wifi, while Zomato will provide food at these isolation rooms. Cities include Mumbai, Delhi, Hyderabad, Bengaluru and Chennai, with Kolkata to be added next week. Apollo Hospitals and Biocon will provide medical and testing facilities at these rooms, with patients charged only for medicines they take during their stay.

"Project Stay I is an innovative and scalable programme that uses existing infrastructure to contain the spread of the virus. We have committed to adding up to 5,000 rooms across the country and will do so by adding 50-100 rooms every week depending on the demand in each city," said Sangita Reddy, joint managing director, Apollo Hospitals Group.

Those suspected of having Covid-19 symptoms can check into these hotels, book their stays, share their medical details and escalate quickly in case they need further attention, Reddy said. Their vital health parameters will be monitored with the help of telemedicine and tech-based solutions that will feed the data into a central server, managed by the hospital, she said. While Oyo, Lemon Tree, and Ginger are charging between ₹1,200 and ₹3,000 per person for their stay at these rooms, more partners are expected to join the programme in the future as Apollo Hospitals looks to subsidise it further for the poor.

Last week, Tata Trusts, the philanthropic arm of the Tata Group, and Tata Sons, the group's holding company, committed ₹1,500 crore to fight the Covid-19 crisis. The donation was the biggest sum committed by a corporate and its philanthropic arm towards the pandemic that has wreaked havoc across the world.

Others, including Reliance Foundation, Mahindra Group, Bajaj Group, ITC and HUL, are also lending support in the battle against the pandemic, committing money, stepping up public awareness programmes and chipping in with subsidised hygiene and healthcare products.

On Monday, Sanjiv Mehta, chairman and MD, HUL, said, "Isolation facilities are extremely important to curb the spread of the virus. We are delighted to collaborate with organisations like Apollo Hospitals to help create isolation facilities. We believe this will help in augmenting the quarantine system already put in place by the government."

CORPORATE COMMITMENTS

	(₹cr)
Tata Group	1,500
Paytm	500
ITC	150
Bajaj/ Vedanta /HUL/JSW/ Adani/ Torrent/ PhonePe	100

L&T, RIL, TVS Motor pitch in with funds

The PM-CARES Fund, set up for Covid-19 relief efforts, saw more funds pouring in on Monday with conglomerates like Reliance Industries (RIL) and Larsen & Toubro (L&T) making fresh announcements. RIL will donate ₹500 crore, while L&T has committed ₹150 crore to the fund. In addition, L&T will set aside a monthly outlay of ₹500 crore for their contract labour. RIL's commitment is exclusive of another ₹5 crore to state funds in Gujarat and Maharashtra. TVS Motor and its arms, also commited ₹25 crore to the fund. **AMRITHA PILLAY & PTI**

Capacity utilisation across FMCG units expected to go up

AVISHEK RAKSHIT
Kolkata, 30 March

The truncated capacity utilisation across FMCG companies is likely to ease in the coming week as more trucks are set to be available. This comes after the Centre paved the way for transportation of both essential as well as non-essential items.

Earlier, there was no restriction on movement of essential items but companies faced major challenges of procuring raw materials as well as packaging them. Moreover, truck scarcity added to their woes. According to the Federation of West Bengal Truck Operators Association (FWBTOA), of a total of 9 million trucks in India, only 4-5 per cent are currently operational.

Industry executives feel the new move from the Centre will help address both procurement as well as supply issues of finished products to a certain extent.

"I think things on the logistics front will improve in the next one week, which, in turn, will help boost operational efficiency in the plants. Although production cannot be at the normal level, I anticipate capacity utilisation to improve from the current level of 10-15 per cent to 30-35 per cent," Mayank Shah, senior category head at Parle Products, told *Business Standard*.

Industry officials noted that owing to ambiguities around defining essential items, issues on inter-state and intra-state movement of trucks, raw material procurement and availability of workers, companies faced both production and supply issues.

"While earlier the Centre and states allowed movement of essential items, there are several non-essentials which go into making an essential item. Previously, trucks were reluctant to move these raw materials as there was no clarity if they will be allowed. However, now I think it will be easier to procure raw materials and improve operational efficiency at the plants," said an industry executive. According to an ITC spokesperson, a "few more days" will be needed for the entire ecosystem and processes to be streamlined for movement of essential goods.

Firms like Emami Agrotech, which had closed plants owing to scarcity of workers and transport, is also reopening them as it feels logistical challenges can now be addressed to a certain extent. "We are reopening our plants in a phased manner. First, we will start with despatches, and based on how things improve, we will take a call on improving production," said Aditya V Agarwal, director at the Emami Group.

Emami Agrotech has reopened its plants in Jaipur, Haldia and Krishnapatnam. It is expected to commence operations soon. Over the past few weeks, all FMCG firms had reduced production drastically owing to lower availability of workers and transport. Some had opted for temporary shutdowns. However, even though transportation of non-essential goods was allowed, firms are keen to make essential items like packaged food, hygiene products and daily essentials.

Industry executives feel there is a huge backlog in the market which needs to be addressed first. "Our effort is to ensure that consumers, during these trying times, are not inconvenienced on account of shortage and unavailability of essential products. We have redoubled our efforts to ensure a heightened level of precaution. We have implemented strict protocols for safety, personal hygiene and sanitation in these select factories and for our salesmen and value-chain partners," said an ITC spokesperson.

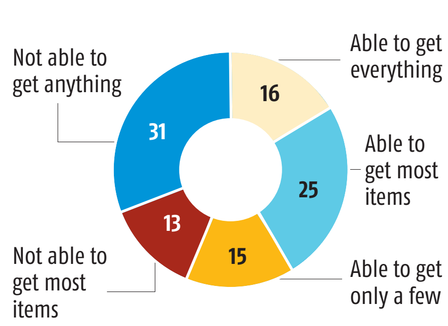
STEPPING UP

- Only 4-5% of 9 million trucks plying currently
- FMCG firms scaled down production due to scarcity of raw materials and workers
- Truck movements expected to improve. This will better operational efficiency
- FMCG companies more keen on production of essential items

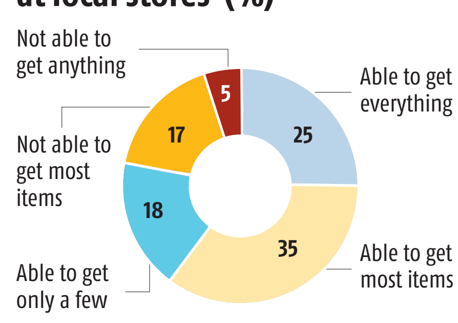
KIRANAS BEAT E-COM GIANTS DURING COVID CRISIS: STUDY

Despite a significant growth in e-commerce's reach and sales during the ongoing Covid-19 crisis, the local *kirana* stores have emerged winners. The traditional trade channel that serves over 1.3 billion people, compared to some 120 million by e-commerce, has fared significantly better when it comes to the availability of essential goods like rice, wheat, pulses, milk, sugar and salt. Obstacles faced by delivery personnel during the initial days of the lockdown might have played a key role in its poor service and a sudden dip in availability of essential items on online channels also impacted many. The situation, however, is improving fast, with over 40 per cent of consumers now able to purchase essential items online, compared to only 21 per cent a week ago. **COMPILED BY ARNAB DUTTA**

Only 41% got essential goods on e-commerce (%)

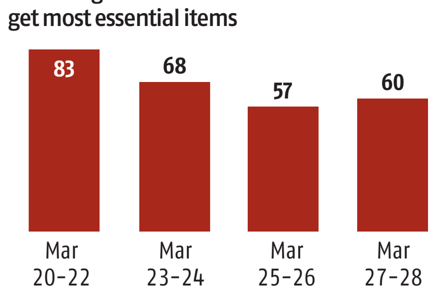


Nearly 60% got essential items at local stores (%)



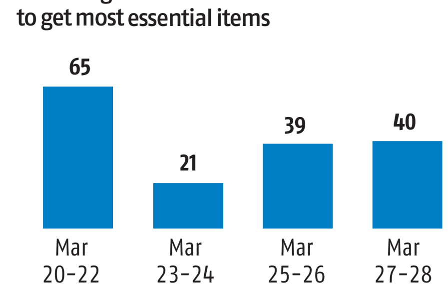
Availability at offline stores stabilising

Percentage of consumers able to get most essential items



Availability on e-commerce channel improving

Percentage of consumers able to get most essential items



Source: LocalCircles

E-com firms short on delivery executives

PEERZADA ABRAR & SAMREEN AHMAD
Bengaluru, 30 March

Despite e-commerce companies saying they're resuming their services, many of them still face challenges in delivering even essential products to consumers. Several e-commerce companies are struggling to get enough of curfew passes, besides being short on delivery personnel.

"Given the strong and unconditional enforcement of lockdown rules by most local authorities, the delivery personnel were fearful for their security and didn't turn up for work. Many of these personnel are migrants and many have gone back to their hometowns — it will be a challenge to bring them back," said Sachin Taparia, founder and chairman of LocalCircles, a leading community and consumer platform which works with various ministries.

In districts across the country, he says, many delivery people still need to get curfew passes. This can take days, due to the manual processes of granting these. Instead, he suggests, a valid ID card and letter from the e-commerce company concerned should be accepted by local authorities.

"Also, in different villages where major warehouses of e-commerce firms are located, the local *sarpanchs* are not letting e-commerce delivery people either enter or go out. So, less than half of all e-commerce orders have been delivered in the country; the majority of orders are still pending due to non-availability of the resources and workers to deliver these," said Taparia.

Some of these e-commerce companies actually have all the government approvals needed to deliver but are still stuck. "The situation in e-commerce has nothing to do with the employers now. Because of the announcement of the lockdown, a lot of staff which was coming from other cities and towns have just packed their bags and decided to leave," says Rituparna Chakraborty, president, Indian Staffing Federation, apex body of organised staffing companies and representing a little over a million contract workers employed across 100 staffing company members annually.

They work with some of the biggest e-commerce firms. "The Amazons of the world and all these e-commerce entities could have operated by providing essential services, but they don't have enough hands to successfully deliver, (though) the demand has increased exponentially," said Chakraborty.

While the central government has asked that certain procedures e followed uniformly for e-commerce services, local authorities are following different rules at state, city and district levels, observes Ankur Pahwa, partner for e-commerce and consumer internet at consultancy EY India. "Also, the staff shortage at warehouses is making the process of packing and delivering of products a problem. And, a lot of delivery people have concerns about their security and have gone back to their home towns. A lot of people are falling out of the employment-serving curve." Adding: "Though e-commerce companies are getting a huge amount of orders and there is a greater amount of adoption of people using digital platforms to buy and consume, there is not enough infrastructure to deliver."

'We need to recalibrate this unnecessary lockdown'

Bajaj Auto has, like most others in the auto industry, closed its production operations. But Managing Director **RAJIV BAJAJ**, in an email interview to **Surajeet Das Gupta**, gives his contrarian views on the complete lockdown the government has imposed. Edited excerpts:

Q&A

What do you think are the best- and the worst-case scenarios for two-wheelers? What is your view on the lockdown?

The best-case scenario is eight weeks of disruption. Nobody knows what the worst is. When 99.9 per cent of the most vulnerable are above 65, I see no logic in this sweeping lockdown in a country in which 94 per cent are below 65. We should have kept the seniors home, closed public spaces, and allowed the rest of us to keep life moving forward.

Do you see demand returning after the lockdown is lifted? How do you see growth for this year, and how much will it be affected?

It is bound to be a slow and strained recovery.

Does the industry have to reduce its workforce? What are the other ways of trimming its sails?

The smaller ones, which employ the majority of the workers, will not be able to sustain this onslaught. The bigger ones can hold out for a while. The most sensible thing to do would be to recalibrate this unnecessary lockdown as soon as possible.

How are you planning to support your dealers, component suppliers, and the distribution system, which are going through severe crises?

We can do little other than support, to the best of our ability, dealers with interest-free credit and suppliers with payments. That is our plan.

How are you addressing the export market because a large percentage of your sales comes from abroad and that those markets are also impacted?

All exports have come to a standstill owing to this arbitrary lockdown.

What are the lessons from this on the way one should do business after this?

The same, timeless wisdom: Stay focused. Conserve your resources and ignore the herd mentality. Keep building herd immunity in your business and in yourselves.

"WE SHOULD HAVE KEPT THE SENIORS HOME, CLOSED PUBLIC SPACES, AND ALLOWED THE REST OF US TO KEEP LIFE MOVING FORWARD"

"WE CAN DO LITTLE BUT SUPPORT, TO THE BEST OF OUR ABILITY, DEALERS WITH INTEREST-FREE CREDIT, AND SUPPLIERS WITH PAYMENTS"

Traders seek Army help to distribute medicines

With chemists fearing stock-out of medicines, Centre goes on a war footing

SOHINI DAS & GIREESH BABU
Mumbai/Chennai, 30 March

With the country fearing stock-out of medicines at a retailer level, the central government is taking steps to ensure supplies reach the last mile. Chemists associations have already suggested that help from the Indian Army be taken to despatch medicines to stockists and retailers in North India.

Top government officials and industry associations have joined social media groups to monitor the situation closely and take swift remedial action.

Jagannath Shinde, president of the All India Organisation of Chemists and Druggists (AIOCD) — a body that represents 850,000 chemists across India — said the situation in Haryana, Punjab, Himachal Pradesh, and Chandigarh is grim and supplies at a retailer level may last for the next 10 days or so.

"We have suggested that the government take the help of the Army if needed to ensure medicines reach stockists.

CORONAVIRUS PANDEMIC

Airlifting of medicines has started in some areas. There is one-month stock lying with the clearing and forward (C&F) agents," said Shinde.

The situation is severe in North India as most of the logistics operation was manned by migrant labourers from Uttar Pradesh and Bihar. Supplies from Himachal Pradesh (where Baddi is a manufacturing cluster) are also low, claimed sources. "Most factories there are functioning with 50 per cent manpower. The units in clusters like Baddi and Sikkim had migrant personnel manning the operations," said an industry insider.

The problem with manpower is not only in courier and delivery services, but also at a shop level. In Kolkata's Bagri market — a major hub for wholesalers and distributors of medicines — has 10-15 shops open of the 500-odd stores.

Top government officials and industry associations have joined social media groups to monitor the situation closely and take swift remedial action

The government is leaving no stone unturned to salvage the situation. Top bureaucrats from the Department of Pharmaceuticals (DoP), Ministry of Health, National Pharmaceutical Pricing Authority, Central Drugs Standard Control Organization have joined social media groups (WhatsApp) with pharma industry bodies, including formulation makers and bulk drugmakers to monitor the situation. "The government will connect with district collectors to ensure free passage. In fact, the home secretary has already held meetings with all state chief secretaries. The DoP secretary has written to the state chief secretaries as well," said a senior government official. He added that cargo planes are also on standby at the 11 airports.

Manufacturers, too, are working round the clock to ensure medicines despatched from factories reach the logistics hubs. "For example, manufacturers of insulin have formed groups with their distributors and are taking real-time updates," informed an industry executive.

While there is no dearth of raw material in the country, distribution has become a major challenge. "We are unable to despatch the stock as stockists are not able to requisition," said a Gujarat-based drugmaker.

Panic buying by patients has not helped either. Punjab Chemists Association has written to the Drug Controller General of India seeking timely intervention.

Tamil Nadu's chemist wing said the state has stock till April 8. K K Selvan of Tamil Nadu Chemists & Druggist Association said interstate transportation needs to pick up. He said it has taken measures to open more than 80 per cent of the pharmacies in the state.

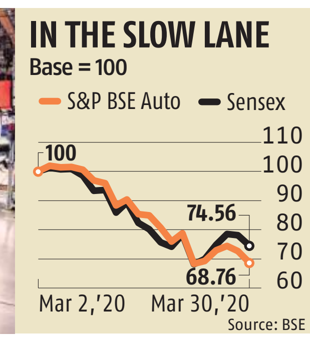
Rajiv Singhal, general secretary of AIOCD, said, "If the situation continues, we can expect shortage in the next 10-15 days."

One of the C&F agents for various drug majors, including Cadila Healthcare and MSD Pharmaceuticals, has said it has received stocks from other states, but moving smaller consignments to various districts has become onerous.

While there is no shortage of raw material in the country, distribution has become a major challenge because of the nationwide lockdown

Auto volumes hit roadblock, likely to witness 50% decline

RAM PRASAD SAHU
Mumbai, 30 March



Auto sales for March could see a 50 per cent year-on-year (YoY) decline in volumes, given the lockdown and decline in footfall during the second half of the month. While sales of passenger vehicles (PVs) and two-wheelers were expected to fall 40-50 per cent, sales of commercial vehicles (CVs) are expected to fall 70-90 per cent.

An auto analyst at a domestic brokerage said the sharp fall in volumes, especially in the medium and heavy CV segment, came on the back of a significant number of cancellations in the last two weeks.

Given the uncertainty related to Covid-19 and the impact of the same on demand over the next six months, it does not make business sense for fleet operators to order more vehicles, he added.

Utilisation levels had declined to 50-60 per cent prior to the lockdown, caused by the slowdown, and may see a further dip. While most of the transport sector has been shut, the limited activity is largely due to the transportation of essential goods, which is not enough to negate the overall costs, he added.

While most analysts expect India to follow the auto sales trend in the US, which indicate a 50 per cent in decline in March, Kapil Singh and Siddhartha Bera of Nomura believe April would be worse. Citing China's example, which saw PV sales fall 20 per cent in January and 80 per cent in February, they expect sales to decline 10-20 per cent in March and 50-80 per cent in April if the lockdown is extended.

The other issue is that of inventory. While the PV and CV segments have inventory of 12,000-15,000 units, the same in the two-wheeler category stands at 700,000. CARE Ratings estimates the value of Bharat Stage (BS)-IV inventory (of two-wheelers) at ₹4,600 crore.

While the Supreme Court has given a 10-day relaxation that allows dealers to sell their stock by April 24 (lockdown ends on April 14), it has restricted sales to only 10 per cent of the unsold BS-IV inventory, which is not enough, say analysts.

Further, given the slowdown in overseas markets, especially oil exporting countries, alternatives are limited. The nervousness was reflected on the share prices of auto companies, including large exporters such as Bajaj Auto and TVS Motor.

The BSE Auto index was the second biggest loser among sectoral indices on Monday, shedding 5.44 per cent. Mitul Shah of Reliance Securities says concerns related to the liquidation of BS-IV inventory, coupled with muted volume expectations for March, led to the sell-off in auto stocks. Most brokerages expect revenues to fall 30-40 per cent and earnings by 50 per cent for 2020-21, if the lockdown is extended.

Mistry group eyes $1 bn by pledging Tata stake

The Shapoorji Pallonji Group, controlled by billionaire Pallonji Mistry and his family, is in preliminary discussions to borrow as much as $1 billion to repay maturing debt using part of its stake in Tata Sons as collateral, said people with knowledge of the matter.

Mistry, whose son Cyrus was ousted as chairman of Tata Sons in 2016, is the biggest single shareholder in India's largest conglomerate, and is seeking a loan as the coronavirus outbreak delays a plan to sell assets, the people said, asking not to be identified.

Mistry is trying to use his 18 per cent stake in Tata Sons, which is estimated to be worth as much as $14 billion, as the Covid-19 pandemic stalls economic activity across the world. However, he may face a hurdle: the shares in the unlisted Tata holding company are closely held and illiquid. A legal battle between Tata Sons and Cyrus Mistry following his ouster may also deter potential creditors.

A representative for Shapoorji Pallonji Group declined to comment.

Mistry's Shapoorji Pallonji & Co had ₹9020 crore ($1.2 billion) of debt as of September 30, according to rating assessor ICRA. The company planned asset sales, including solar power plants and road assets, in a bid to reduce debt by as much as ₹4,000 crore, a person with direct knowledge of the matter said in August.

Founded in 1865, the Shapoorji Pallonji group, which has built some of Mumbai's landmarks, including the RBI building, is still better placed than most of its corporate peers, with total revenue of $7 billion for the year ended March 2019. BLOOMBERG

Saudi Aramco plans to sell pipeline stake

Saudi Aramco, the world's largest oil producer, is weighing the sale of a stake in its pipeline unit to raise money amid a slump in crude prices, according to people familiar with the matter. Aramco may need to raise cash this year as it confronts a historic rout in oil prices and a burgeoning list of spending obligations. The company has reaffirmed its commitment to pay out $75 billion in dividends this year and also needs to make the first instalment for its $70 billion acquisition of a stake in chemicals producer Saudi Basic Industries. BLOOMBERG

'IT industry adopting new methods to tackle crisis'

The world is heading towards a 'new normal' due to Covid-19, said Chief Executive Officer and Managing Director of Tech Mahindra (TechM), **C P GURNANI**. In an interaction with **Bibhu Ranjan Mishra** and **Debasis Mohapatra**, Gurnani said by almost forcing businesses to work from home, the information technology industry has learnt a lot from this event. Edited excerpts:

Q&A
C P GURNANI
CEO & MD, Tech Mahindra

How has the Covid-19 affected the IT industry? Is the industry able to serve clients working from home?

As of now, India has been very lucky. Even today, we are talking about 1,100 cases though it's true that our testing infrastructure is not as strong as the US. Everyone is also praying that with rising temperature, the propagation of the virus will be reduced. So, we are not expecting further lockdown but probably a new normal will be kicked in. The new normal is, people will keep safe distance and they will be a lot more hygienic than ever before.

Is there anything that the industry as a whole has learnt?

I divide this into three chapters. The first one is the period 'before Covid', second is 'during Covid' and third is 'after Covid'. We knew that we all have to become healthy, but we had been ignoring it. We knew that we have to reduce pollution. During the pandemic, many things have become reality. It was an opportunity for TechM and others to take those decisions, which we never took. We have now introduced many collaborative tools and launched workstation as a service, remote diagnostics networks, content delivery platforms and omnichannel retail experiences and so on. Many of these platforms were ready though, we never thought of launching those. Now, they are becoming a reality.

How is it going to be more challenging in the 'post Covid' environment?

The reality is the government agencies have now officially declared recession. India has spent only 0.3 per cent (of GDP) and the World Bank has suggested countries to spend up to 6-7 per cent. I think, there is headroom to kick-start the economy. Consumers' confidence comes back very fast. Infrastructure spending will increase the cash flow. Though the B2B businesses will take little longer (to come back to shape), I think the doomsayers are being very negative. It is less than a year cycle of recovery.

Sectors such as hospitality travel and aviation have already taken a huge hit. Are you hearing anything from clients?

Hospitality sector is not a big sector, with less than 3 per cent of our revenue coming from this sector. Travel and hospitality has also seen these challenges in the past. Besides, this sector has always been the first one to get impacted. But, the sector also bounces back.

We've seen more spending in the telecom vertical. Will it benefit TechM, which has good exposure to the sector?

I am not denying this. But, everyone is in crisis. Keeping human capital intact and the lights on are important themes.

Is the sales team still chasing deals on ground or have everything stopped?

Everyone is talking to everybody. No conversation has stopped. In fact, the number has increased. However, please remember that you are not talking to organisations, you are only talking to individuals. They (clients) are not having their board meetings or committee meeting now. Everyone is in fire-fighting mode. Overall, I am proud of my associates for the way they have rallied. Offices in the Philippines and India are not working, but none of my customers has been impacted.

Are all employees working from home? How has it impacted productivity?

Almost 90 per cent or our employees are working from home. The remaining go to office because of data security norms. So, the density is less than 6 per cent in our offices. Work from home has actually helped in enhancing overall productivity. We are using various tools to measure it.

First VRS tranche of BSNL, MTNL disbursed

Amid the coronavirus (Covid-19) gloom, there is some reason to cheer for employees of Bharat Sanchar Nigam (BSNL) and Mahanagar Telephone Nigam (MTNL). This is because the Centre has started disbursing the ₹5,000 crore first instalment of the voluntary retirement scheme (VRS).

An official said, "All dues and pending salaries of BSNL and MTNL staff have been paid and the first tranche of the VRS package worth ₹5,000 crore has been released." It is learnt that the salary for March will be given to the employees of BSNL and MTNL on April 3.

With payment of the VRS package, the monthly staff cost of BSNL stands at ₹600 crore, and for MTNL, it is ₹45 crore. On October 24, the Centre approved a package of ₹70,000 crore for BSNL and MTNL and also drew up a timeline to merge them.

Monetising real estate assets worth ₹37,500 crore is part of the overall relief package. It would be used to retire debt, upgrade networks and offer a VRS aimed at reducing the firms' employee strength by half. The relief package includes a sovereign bond issue worth ₹15,000 crore, to be serviced by the two telcos.

Also, BSNL and MTNL will be allotted 4G spectrum at an administered price, pegged at the 2016 auction value. MEGHA MANCHANDA

RIL to consider fundraising on April 2

Reliance Industries (RIL) on Monday said a board meeting has been scheduled to consider fundraising by issuing listed, secured/unsecured and redeemable non-convertible debentures on a private placement basis in one or more tranches. The fundraising proposal is to be considered at board meeting on Thursday. BS REPORTER

RBI notifies special G-Secs under 'fully accessible route'

FPI limit in corporate bonds raised; special series to enable inclusion in global indices

ARUP ROYCHOUDHURY
New Delhi, 30 March

The Reserve Bank of India (RBI) on Monday said it will issue certain series of government securities (G-secs) under the "fully accessible route". These special securities will attract no foreign portfolio investor (FPI) limits until maturity and are the first step towards Indian G-Secs being listed on global bond indices as the Centre looks to attract access cheap liquidity in the overseas markets.

The RBI also raised upwards the FPI limits for corporate bonds to 15 per cent, from 9 per cent, for 2020-21. However, the overall FPI limit in G-secs of 6 per cent has not been changed as yet. "The revised limits for FPI investment in G-Secs and state development loans for 2020-21 (FY21) will be advised separately," the RBI said. "The RBI shall notify the G-secs that shall be eligible for investment under the fully accessible route for non-resident investors. These securities will continue to be eligible for investment by residents," the central bank said in a circular.

CORPORATE BONDS
(Amount in ₹ trillion)

Current FPI limit	3.17
Revised limit for April–September 2020–21	4.29
Revised limit for October–March 2020–21	5.41

The ministry tweeted: "This will substantially ease access of non-residents to the Indian government securities markets and facilitate inclusion in global bond indices. This would facilitate the inflow of stable foreign investment in Indian bonds."

The RBI did not say what percentage of the ₹8-trillion gross borrowing for FY21 will be through the special securities, but sources said it could be anything between 15 per cent and 20 per cent. This means anything between ₹1.2 trillion and ₹1.6 trillion could be borrowed through these bonds without FPI restrictions.

The RBI notification follows a Budget announcement by Finance Minister Nirmala Sitharaman regarding the same. "Certain specified categories of G-secs would be opened fully for non-resident investors, apart from being available to domestic investors as well," Sitharaman had in her FY21 Budget speech.

The RBI said all new issuances of G-secs of 5-year, 10-year, and 30-year tenors from FY21 will be eligible for investment as "specified securities".

Some of the global bond indices that could embrace Indian G-secs, if all the conditions are met, include the Bloomberg Barclays Global Aggregate Index, FTSE Russel Asia Pacific Government Bond Index, and JPMorgan Government Bond Index-Emerging Markets. These indices have conditions which favour scale and size. For example, according to the criteria of some of these indices, each issuance should be $400 million at least, and the total quantum of the bonds should be at least $5 billion.

Ministry officials have had several meetings with the RBI, as well as the administrators of the global bond indices. They have also met banks which may act as potential market makers for the bonds.

Government officials as well as bond market analysts said being part of the global bond indices would help Indian G-secs attract large funds from major global investors, including pension funds.

CORONAVIRUS EFFECT

Direct tax shortfall likely to touch a 20-year high

I-T dept estimates mop-up of around ₹10.7 trillion this fiscal year

SHRIMI CHOUDHARY
New Delhi, 30 March

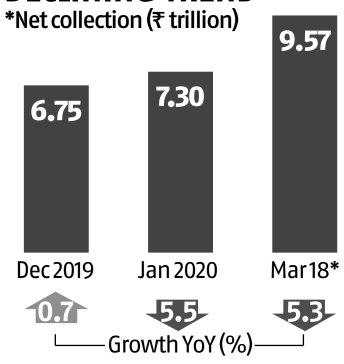
India's direct tax collection for the current fiscal year ending March 31 is likely to see a whopping shortfall of about ₹1.5 trillion compared to the Revised Estimates (RE). This is set to take place for the first time in at least two decades, derailing the government's fiscal deficit goals.

According to senior officials, the income tax department estimates total collection to be between ₹10.5 trillion and ₹10.7 trillion, against the revised target of ₹11.7 trillion. However, the exact figures may come by April 1.

Shortfall as a percentage of RE for 2019-20 (FY20) is also likely to be the highest in recent history. At the estimated level, it would be from 8.7 per cent to 10.2 per cent of the RE in FY20. It was 5.3 per cent in the previous year. During the 2008-09 crisis, it was 7.5 per cent of the RE.

Officials attributed the shortfall to the pandemic. But even the earlier months of the year had turned out to be bad for direct tax collection.

Sources said the Vivad se Vishwas scheme, expected to give a leg-up to collections, has not seen a single big entry so far. Since the scheme has been pushed to June, people are likely to come forward only after the lockdown is lifted.



*As of March 18, total direct tax collection stood at ₹9.57 trillion
Target for fiscal year 2019-20 is ₹11.7 trillion
*Net collection: Direct tax collection after refunds
Source: I-T department

The government had set direct tax collection target of ₹13.5 trillion for this fiscal year (FY20) in the Budget Estimates (BE), a 17 per cent rise over 2018-19. However, during the year, businesses and corporates saw significant decline in demand. This led to job losses and cut in the investment targets. Further, change in corporate tax structure, coupled with the Covid-19 pandemic, has worsened the situation.

The government had to revise the BE downwards to ₹11.7 trillion in the RE on account of reduction in the corporation tax rates. This is expected to hit the exchequer by ₹1.45 trillion and slow down the economy.

According to official figures, the tax office managed to garner ₹9.57 trillion till March 18, a decline of 5.3 per cent over the corresponding period in the previous year.

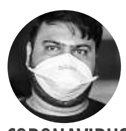
Sources said the tax department had started making efforts after seeing a drop in the third quarter (October-December) advance tax collection payment. In the third quarter, corporation tax mop-up dropped by 5 per cent. In January, the total collection stood at ₹7.3 trillion.

In the fourth quarter (January-March), advance tax payment by corporates further slipped to 10 per cent.

The shortfall may widen the Centre's fiscal deficit, which is pegged at 3.8 per cent of GDP in FY20, said a government source.

Fiscal deficit surpassed the budget target for FY20 by 28.5 per cent in absolute terms by January itself. However, the focus of the government is now not on the economic situation but to arrest the Covid-19 outbreak, which has halted every activity and eroded billions. Tax experts, too, feel the priority is not fiscal math but to contain spread of the global outbreak.

"At this point, the immediate focus is to arrest the pandemic and not the fiscal deficit. Rather, the Centre and states should lend maximum to support venerable businesses, especially small and medium enterprise and in making them solvent," said Sudhir Kapadia, national tax leader, EY India. "The government should also focus on needed sectors such as hotels, tourism entertainment and aviation, which are completely shut. All in all, there is no way any country, including India, can hope for taxes and improving fiscal math. Even if the fiscal deficit widened 1-2 per cent, the focus should be on the survival of business," said Kapadia.



CORONAVIRUS PANDEMIC

Sanjay Sanghvi, partner, Khaitan & Co, said: "This unfortunate development and the complete lockdown have derailed the tax collections target. This fiscal year will be an exceptional year for the government in terms of low tax collection and growth. However, I think the first priority for the Centre is now to contain the spread of this pandemic."

Exports stare at hard March; US, Europe orders disappear

SUBHAYAN CHAKRABORTY
New Delhi, 30 March

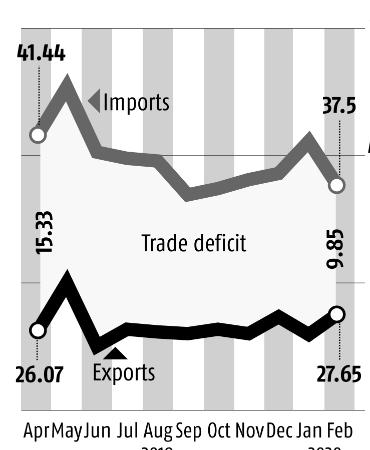
After a sudden growth in February, exports are fast heading towards a lengthy period of contraction as buyers cancel major shipments in foreign exchange (forex) earning sectors, fear exporters.

"We expect contraction in March. With major economies continuing to see sharp rise in cases, the cumulative fall in demand would spill over into April, causing a bigger contraction," Ajay Sahai, director general of the Federation of Indian Export Organisations, said.

A string of order cancellations by major clients in the US and Europe — two major centres of the coronavirus outbreak — is expected to massively hit sectors like engineering goods and apparel. More than 40 per cent of India's engineering exports land up in both markets, while Indian apparel is already under threat from cheaper Bangladeshi and Vietnamese alternatives in their primary export destination of Europe.

"This industry needs immediate relief in terms of faster clearance of banking and packing credit, late realisation of export bills, and raising of advance limit to 25 per cent without any collateral to ease working capital constraints," A Sakthivel, chairman, Apparel Export Promotion Council, said. Also, there should be no penalty on advance forex booking and deferment of equated monthly instalments by six months to start with, he added.

Exports had caught a rare breather in February, rising after six months, leading to hopes of a recovery period beginning soon. But, policymakers are not convinced. "Last month, exports gained over a low base. Also, global oil prices spiked, allowing India to pull in more receipts from the sale of refined petroleum," a government trade expert said.



Total exports in FY20 so far	Total imports in FY20 so far	Cumulative trade deficit in FY19 so far
292.9	436.06	143.11

Source: Ministry of Commerce & Industry

Lockdown blues

Exports have been rocked by chronic labour shortage, arising from a massive exodus of workers to the rural hinterland. "This issue continues as people are afraid of not being able to survive for the entire duration of the lockdown. More importantly, smaller businesses making up the majority of the sector continue to be harassed by local authority and police despite the commerce department saying exports are a priority sector," a senior functionary of the Clothing Manufacturers Association of India, said.

While a final notification from the home department regarding which businesses can remain open has assured the sector, these small businesses remain worried.

Coupled with a lack of liquidity with export credits having contracted by about 23 per cent in 2019 (January-December) even before the coronavirus outbreak, factory units look set to make major losses.

"While the three-month loan moratorium and 75 basis points cut in interest rates would help exporters, the sector has been the worst hit by the outbreak. The moratorium should be extended at least to six months to one year, since the global economy is set to be slipping into a recession," Ravi Sehgal, chairman of the Engineering Export Promotion Council, said.

Policy delay

As a result, total exports again run the risk of missing the government's internal target of $350 billion. India's total outbound trade tally stood at $331 billion in 2018-19. It was the first time that exports remained above $300 billion for two consecutive years.

On the other hand, the government is gearing up to announce the extension of the current five-year foreign trade policy (FTP) by six months, sources said. Commerce and Industry Minister Piyush Goyal is likely to announce the same on Tuesday. The updated FTP was expected to go live from April 1.

Treat oil output as essential service: Regulator to states

SHINE JACOB
New Delhi, 30 March

The directorate-general of hydrocarbons (DGH) has written to major producing states to exempt its production from the ongoing lockdown's ambit, and classify the commodity as an essential service.

Rajasthan, Assam, Andhra Pradesh, and Gujarat are all major producing areas. The move will help Oil and Natural Gas Corporation (ONGC), Vedanta, Reliance Industries, Oil India, and Hindustan Oil Exploration Company (HOEC).

Sources say Rajasthan and Assam have given clearance, but those of Tamil Nadu and Maharashtra are yet to give a final nod for movement of oil company staff and material. The letter had cited a February 28 notification that categorised any oilfield work as a public utility service. "Petroleum and natural gas are essential commodities under the laws. Domestic petroleum crude and natural gas production is a priority area for the country. Hence, uninterrupted operations are essential," went the letter.

In addition, the DGH says it has merged the sixth and seventh rounds of Open Acreage Licencing Policy (OALP) bids for oil and gas blocks. "In view of the lockdown, the EoI (expression of interest) cycle for Round VI (ending March 31) and Round VII (ending July 31) shall stand merged. A bidding round would be launched based on EoIs received till July 31," says the DGH on its website.

The final date for bidding under the fifth round of OALP is scheduled on April 16. A total of 11 oil and gas blocks are being offered under this round.

Following the lockdown, a majority of firms were reportedly forced to cut production by a tenth as customers refused to take supplies.

"The private sector, too, is facing such problems. A lot of consumers and factories in Assam are not taking supplies because of business disruption. However, we are continuing production from our fields," said P Elango, managing director of Chennai-based HOEC.

Fitch cuts GDP growth forecast to 4.6%

Fitch Solutions on Monday slashed its estimate for India's GDP growth in 2020-21 to 4.6 per cent due to weaker private consumption and contraction in investment amid coronavirus outbreak. The growth estimate for FY compares with a 4.9 per cent forecast in the current 2019-20 that ends on Tuesday. PTI

Ind-Ra cuts FY21 growth forecast to 3.6%

India Ratings (Ind-Ra) on Monday cut its FY21 growth forecast to 3.6 per cent amid Covid-related worries. It has assumed that a full or partial lockdown will continue till end of April and economic activities will be restored only after May. It expects India to clock a 2.3 per cent growth for Q1FY21, down from 4.7 per cent forecast in Q4FY20. PTI

Nomura lowers 2020 GDP growth forecast to -0.5%

With nearly 75 per cent of the Indian economy in lockdown, Nomura has lowered 2020 GDP growth forecast to -0.5 per cent YoY from 4.5 per cent. "We expect growth to slide from 4.7 per cent YoY in Q4CY19 to 3.1 per cent in Q1CY20 and fall to -6.1 per cent in Q2CY20," said Sonal Varma, MD and chief India economist at Nomura. BS REPORTER

CRISIL SME TRACKER

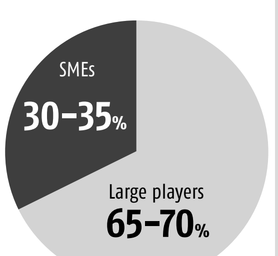
Chemicals manufacturers brace for drop in revenues

SMALL AND MEDIUM ENTERPRISES (SMEs) engaged in the manufacture of chemicals are expected to be hit hard as the industry braces for a decline in volume and realisations in the next fiscal year (2020-21), due to the Covid-19 pandemic.

SMEs account for 30-35 per cent of the industry (in value terms), and are clustered around Gujarat, Maharashtra and the Delhi-NCR region. Gujarat alone houses over 400 chemical units.

In calendar year 2020, the price of Brent crude oil is expected average $35-40 per barrel, compared with $64 in calendar year 2019, as multiple headwinds coalesce — a global slowdown, output war between major crude oil producers, and demand contraction following the Covid-19 pandemic, to name some.

SHARE OF SMEs IN CHEMICALS SECTOR



Source: CRISIL Research

In the domestic market, the demand for chemicals is expected to moderate owing to slowdown in demand from key end-use industries such as automobiles, consumer durables, textiles and construction.

Thus, along with a drop in volume, the SMEs are looking at a fall in realisations owing to lower prices of inputs such as crude oil, as the cost savings will have to be passed on to consumers.

Furthermore, with recession imminent in the United States and Europe, exports are expected to take a hit, too. Therefore, the revenues of chemicals manufacturers are expected to decline in 2020-21. Any expansion in operating margins is expected to be offset by lower top line growth because of weak demand.

'Handling of lockdown brings back DeMo memories'

JEAN DRÈZE, a renowned Belgian-born Indian economist, says migrant workers are not feeling safe and that is why they are desperate to go back home. He tells **Indivjal Dhasmana** the Centre's new order that labour should stay where it is will be difficult to implement. Drèze was part of academicians and activists who recently wrote to the Centre about the situation of the migrant workers. Edited excerpts:

Why do you say the decision to lock down the entire country was not taken with proper planning?

The term 'lockdown' is misleading. It's more like a curfew, or an attempted curfew. The Prime Minister said so in so many words on March 22. Few countries, if any, have such a harsh lockdown. The lack of planning has made things worse. There was no mention of any relief measures in the lockdown announcement. The crisis of migrant workers also took the government by surprise. The lack of planning, followed by ad hoc damage control, brings up memories of demonetisation. But this situation is much worse.

Have the governments mismanaged the issue of the movement of labour and other poor people? Will the Centre's new order that labour should stay where it is and the states must take steps to ensure their well-being there be effective?

To be fair, few people anticipated the migration crisis. Migrant workers should have been given time to reach their homes, or support to stay in place. The Centre did neither, precipitating a humanitarian and health crisis. To make things worse, many migrant workers were dealt with in an authoritarian manner, making it hard to count on their cooperation from now. The new order will be hard to implement.

Why do you say that ₹1.7-trillion package, announced by Finance Minister Nirmala Sitharaman, is inadequate?

First, it's not ₹1.7 trillion — maybe ₹1 trillion, after you discount the padding and creative accounting. Second, the transfers to poor households are too small. Households without a ration card will get just ₹500 per month if they are lucky to be among the recipients of cash transfers to Jan-Dhan Yojana accounts. It is impossible for a family to live on that. Third, there is no provision in the package for emergency relief, whether for migrant workers or for those who fall through the cracks of other measures. That is the biggest priority right now.

Is there any issue with the package related to the public distribution system (PDS)?

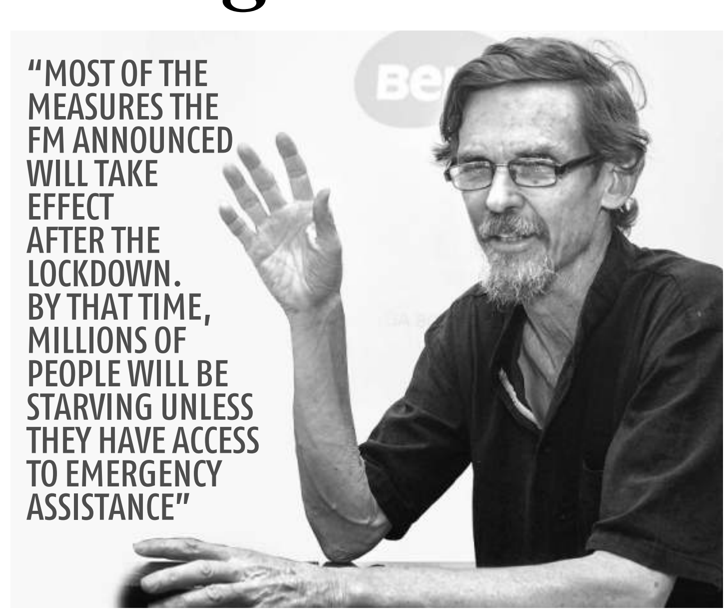
The big issue is whether the PDS is going to hold. With the economy at a standstill, state administrations under stress and public employees scared of infection, it may be difficult for the PDS to function or rather to function well. Any gap in the chain could expose large numbers of people to hunger. Another problem is many poor people are still excluded from the PDS.

What about issues with cash transfers?

Cash transfers can help in this situation, but most people underestimate the challenge of disbursement. I have not seen any serious discussion on it so far. The poor generally doesn't have access to fancy payment systems like Paytm or even ATM cards. To withdraw cash from their bank accounts, they depend primarily on bank counters and their outposts, called business correspondents. But the business-correspondent system is a health hazard at this time, because it is based on fingerprint authentication. If business correspondents are out of work, there is going to be a big rush to the banks as soon as the lockdown is relaxed. The banks will be jammed, much as happened after demonetisation. If the people are unable to withdraw money from their accounts, what is the use of cash transfers? All this can probably be sorted out, but it requires careful planning, and it does not seem to be on the government's radar screen.

Q&A

JEAN DRÈZE
Economist



"MOST OF THE MEASURES THE FM ANNOUNCED WILL TAKE EFFECT AFTER THE LOCKDOWN. BY THAT TIME, MILLIONS OF PEOPLE WILL BE STARVING UNLESS THEY HAVE ACCESS TO EMERGENCY ASSISTANCE"

What else should be done beyond the package?

The biggest gap in the finance minister's relief package is support for emergency assistance to people at risk of hunger. Most of the measures she announced will take effect after the lockdown. By that time, millions of people will be starving unless they have access to emergency assistance. Even after the lockdown, many people will be excluded from the relief package because they don't have, say, a ration card or an Aadhaar-linked bank account. Emergency aid could take different forms such as feeding centres, distributing take-home rations, and emergency funds with gram panchayats. Many states are working on this, but they need central resources.

States are executing their own packages. However, they are limited in scope because of a slowing economy and hence less transfer from the Centre, including compensations for losses arising out of low GST collection. How would they incur such huge expenditures?

This requires urgent initiatives from the Centre, for instance, paying GST dues, releasing food stocks, accelerating the relief package and special credit facilities, and relaxing the Fiscal Responsibility and Budget Management Act. There isn't much the states can do in a hurry, on their own, to mobilise additional resources.

The supply is insufficient. What should the government do to not allow prices of essential commodities to rise?

Once again, releasing food stocks will help. Restrictions on the production, harvesting, processing, transport and marketing of food should be removed. It is startling to hear that in some places people have been prevented from working in the fields or going to the forest. Even from the narrow point of view of checking the virus, it's probably better for them to be out there than in their overcrowded homes.

Do we forego fiscal deficit targets for now and work on new a medium-term fiscal-consolidation road map?

Yes, I think so. When people are about to die of hunger, you have no choice but to step in big time. In any case, the normal rules of fiscal prudence do not apply in a situation like this. When the lockdown ends, India will be in a situation of huge excess capacity and lack of effective demand. This is the sort of situation that calls for a large fiscal stimulus. Many countries have launched much larger fiscal stimulus packages than India, some of them as large as 10 per cent of GDP. The Indian economy cannot dispense with a shot in the arm.

Leapfrogging to cleanest fuel in the world

As India shifts to BS-VI emission norms from tomorrow, *Business Standard* looks at how companies raced against time to switch over, and the road ahead

Refinery to outlets: Tracking the journey

AMRITHA PILLAY
Mumbai, 30 March

A young woman in a Port Blair laboratory has spent several weeks testing fuel samples. The laboratory belongs to the Indian Oil Corporation (IndianOil), which has been carrying out the bone-drying of fuel tanks in remote places in the country so they would be ready to receive BS VI-compliant fuel.

"We had to be ready much before the April 1 deadline. It was a race against time," said Sanjiv Mazumdar, executive director-quality check, at IndianOil. The new norms require the sulphur content in the fuel to be a maximum of 10 parts per million or ppm. For over three years now, Mazumdar's team has been the final link in a long process chain, which has made the delivery of the cleaner fuel possible.

Like IndianOil, other state-owned oil marketing firms Bharat Petroleum Corporation (BPCL), and Hindustan Petroleum Corporation (HPCL) have several testing sites to make sure that the fuel in their retail outlets is BS-VI-ready. The three firms have spent close to ₹35,000 crore to upgrade their refineries for producing BS-VI-compliant fuel.

One of the biggest challenges has been to execute the change in outlets situated in remote areas with lower off-take. In pumps where the off-take is higher, it was easy to flush the BS-IV fuel out from the system, thanks to regular consumption and intermixing, said R Ramachandran, director (refineries) at BPCL. For pumps with lesser off-take, however, oil firms had to adopt the bone-drying approach.

Most of the refineries started making BS-VI fuel from January to ensure that it reaches every petrol pump before April 1. "We had to add a separate process unit at the refineries for selective de-sulphurisation of the fuel," said the head for one such refinery who did not wish to be named. The upgrade took around three years. This additional process unit removes sulphur from the fuel to an extent that it meets the norms.

The residual sulphur does not go to waste. "The elemental sulphur, which is the residue, is sold for use in the production of chemical fertiliser and other products," explained the refinery head. The fuel supply chain starts at the refinery and goes through a complex maze of multi-product pipelines, terminals, tankers and depots to finally reach the fuel tank of a retail outlet.

Once the product is received through a multi-product pipeline at a terminal, it is separated into different tankages. "As refineries started sending BS-VI, we realised that our tanks still had some BS-IV fuel in it. Bone-drying the tanks was not possible, because then the retail outlets would have gone dry," said Mazumdar. "So we started the process of dilution." Dilution involves filling different tanks with different levels of BS-IV and then BS-VI. After multiple dilutions, the fuel becomes BS VI-compliant.

A similar strategy has been deployed for tanks at petrol pumps. IndianOil, BPCL, and HPCL have confirmed that all their retail outlets were now BS VI-compliant. That includes one of India's highest altitude petrol pumps at Kaza in Spiti Valley in Himachal Pradesh, which is run by IndianOil.

The method of inter-mixing BS-IV and BS-VI fuels involved multiple sampling at different times to check if the older fuel has been completely exhausted through sale. "In the past month, we were swamped with samples from outlets," said Mazumdar, a challenge they did not anticipate. His teams have managed to do their job, working over multiple shifts and by moving infrastructure and manpower to laboratories with higher work loads.

THE PROCESS

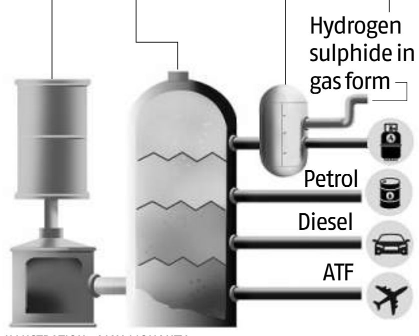


ILLUSTRATION: AJAY MOHANTY

WHAT BS-VI MEANS FOR FUEL

	BS-IV	BS-VI
PETROL		
Sulphur (Per particulate matter)	50	10
RON*	91 (95**)	91
DIESEL		
Sulphur (Per particulate matter)	50	10
Cetane	91	51

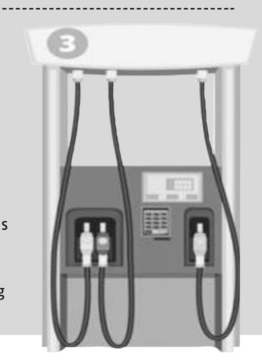
THE CHANGEOVER

- **1991** Vehicle emission norms introduced
- **2003** RA Mashelkar Committee report approved
- **2004-05** BS-III in NCR, 13 cities implemented
- **2005-2010** BS-II implemented nationwide
- **2004-2010** BS-IV implemented in NCR, 13 cities
- **2009-2010** BS-III nationwide
- **2004-2017** BS-IV introduced nationwide
- **April 1, 2018** Sale of BS-VI petrol and diesel in Delhi begins
- **April 1, 2020** BS-VI norms come into force nationwide

*Research Octane Number signifies improved performance of automobile engine. The loss in octane number because of phasing out of lead made up changes in refinery processing

**Premium petrol has higher RON of 95

Source: Oil marketing companies



Testing times for auto manufacturers

SHALLY SETH MOHILE & TE NARASIMHAN
Chennai/Mumbai, 30 March

As India battles the Covid-19 pandemic, the big shift from the BS-IV to BS-VI emission norms will take effect in 24 hours. In the three years from BS-IV to BS-VI, car makers had to overhaul the entire manufacturing ecosystem to ensure calibration that fits in well with the technology choices, while keeping a tight leash on costs. Together with their suppliers, automakers pumped in ₹10,000 crore for the changeover.

Home-grown manufacturers such as Mahindra & Mahindra, Tata Motors, Ashok Leyland, Bajaj Auto, TVS Motor, and Hero MotoCorp had no prior experience. It was tougher for firms that had products spanning several categories, ranging from cars and SUVs to two-wheelers and trucks. Such a portfolio meant that the firms had to invest more resources and time to build the requisite capabilities for executing this. Tata Motors had 34 different engines and 150 vehicle programmes that had to be fitted with BS-VI engines, said a company official.

"M&M's BS-VI compliance is a story as much of technology, planning, and programme management as it is a story of the determination of the 700-strong team that has worked for the past three years to make BS-VI happen, along with partners," said Pawan Goenka, managing director, M&M earlier on his firm's preparedness.

For multinationals, it was relatively easier. "The BS-VI is another design of engines like BS-IV, with a few specific design and hardware differences. So once the design got frozen, it was simply a matter of programming the machines and giving training to the technicians to handle one more variant of engine," said Ganesh Mani, director, production at Hyundai Motor India.

Despite the prolonged slowdown, most were ready to launch BS-VI-compliant models in 2019 but the problem of unsold BS-IV inventory at the dealer-end became aggravated because of the nationwide lockdown that has made sales difficult for the six days in March.

According to the Federation of Automobile Dealers Association, 105,000 two-wheelers, 2,250 passenger cars and 2,000 commercial vehicles have been sold but not registered throughout India because of the lockdown. Some 700,000 two wheelers, 15,000 passenger cars and 12,000 commercial vehicles are lying unsold.

The Supreme Court, which had refused any extension of the April 1 deadline for registering vehicles, last week allowed the sale and registration of 10 per cent of such vehicles till 10 days after the lockdown is lifted, barring Delhi-NCR.

Used cars could see an upswing

The slump in automobile sales is mirrored in the used-car segment as well since around half of the buyers of new cars sell their old ones. Buyers who had postponed their purchases in anticipation of the BS-VI norms being implemented from April 1 may now start selling their old cars.

This means some of these buyers will sell their old cars, says Gajendra Jangid, co-founder, CARS24. On an average, India sells 4 million used cars, against 3 million new ones.

The used cars space is expected to reach 6.7 to 7.2 million per year and be valued at ₹50,000 crore by FY22, according to Indian Blue Book, the pricing and valuation arm of Mahindra First Choice Wheels, the pre-owned unit of M&M. According to Jangid, BS-VI cars are 5-10 per cent more expensive and, for buyers, nothing has changed because they are not getting any value additional even though they are paying more.

"Because of this pricing premium, users will buy more used cars. In that sense, used cars become a better deal," he said.

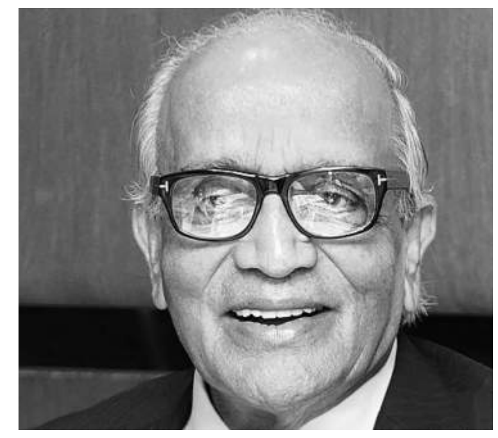
BS-IV cars can be resold in the market even after March 31, 2020. The used car market has traditionally been stronger than the new car segment. It saw about 5 per cent growth in the organised segment in the first 11 months of the current year, said Shashank Srivastava, executive director, sales and marketing, at Maruti Suzuki. Through its True Value franchise in the used car segment, Maruti has close to a 60 per cent share of the pre-owned car market.

When General Motors and Toyota announced the phase-out of high-selling diesel models like Qualis and Tavera, the demand and prices of these shot up in the used car market. However, there hasn't been a strong sales pull for diesel models this time.

JYOTI MUKUL & SHALLY SETH MOHILE

'There will be a price hike; auto companies can't sell at a loss'

Amid the nationwide lockdown to check the Covid-19 spread, India will quietly transition into BS-VI, the most stringent emission standard for the automobile industry anywhere in the world. **RC BHARGAVA**, chairman of Maurti Suzuki India, speaks to **Arindam Majumder** about the learning, challenges, and scope of a price hike in a bruised economy. Edited excerpts:



"OMCs ARE READY WITH THE FUEL AND THAT IS ALL WHAT IS NEEDED. STATES COULD HAVE NOT RAISED THE ROAD TAX OR HELPED IN LOWERING GST TO OFFSET THE COST OF BS-VI"

R C BHARGAVA, Chairman, Maruti Suzuki India

Do you think that BS-VI deadline should have been extended because of the lockdown?

I am one of the interested parties in this. So my view is not an objective one. But the fact is we had completed the transformation to BS-VI by about the beginning of February and manufacturing of BS-IV had ceased. Till this lockdown started, we had disposed of a bulk of BS-IV vehicles. There were some vehicles, which had been paid for but which had to be registered and delivered. The number of unsold vehicles was very small, maybe 40-50 for Maruti. We had expected that before the lockdown in 10 days or less, we would be able to sell. We were hoping that because there were some districts where there was no lockdown we will be able to sell. Now, I suppose we will be left with a certain number of vehicles that are not even registered.

How as India's largest car manufacturer did you undergo the transformation?

We had to do the maximum amount of work because we had the maximum number of models to be changed. It was tough. I think every firm felt that the time the government gave was very tight and that it may not be possible to get all the engineering work done. We had suggested there could be two stages of this — one relating to new model and another for existing ones. That was not accepted. So, we put all the resources from us and Suzuki in Japan into the task. We were able to complete the task of handling some 16 or 18 models well before the deadline.

Will it be possible for you to increase the prices in the current situation?

Even before the Covid-19 problem, there was a decline in sales this year instead of a projected double digit growth. Besides the increase in price due to BS-VI, some states had also increased tax. So, a customer had to pay much higher prices to buy cars than he was doing earlier. Availability of consumer finance became much more disconcerting. The increase in acquisition cost in India is by far the highest, compared to developed countries, whether you take Japan or Korea. Value-added tax in Europe is 19 per cent but taxation for big cars in India is around 60 per cent with per capita income a fraction of what they are in Europe. How do you expect sales to grow at high rates?

Do you think car companies absorb the cost because of the current market condition?

Car companies don't have much leeway in this. No business can survive without making profit. Without profits, you don't have the money for maintenance, modernisation, engineering, or improvisation.

Is the ecosystem ready for the transition?

The oil marketing companies are prepared with the fuel and that is all that is needed. I would have thought that recognising the higher cost of BS-VI, state governments could have not raised the road tax or helped in lowering GST to offset the cost of BS-VI.

'For BS-VI, lot of coordination was needed with carmakers too'

Vehicles and the fuel they run on have to switch over to BS-VI emission norms before April 1. **SANJIV SINGH**, chairman of India's largest refiner and fuel retailer Indian Oil Corporation (IOCL), speaks to **Jyoti Mukul & Shine Jacob** about the three-year journey of transition. Edited excerpts:

"WE INSTALLED ADDITIONAL UNITS WHILE THE REFINERY WAS OPERATING WITH THE OLDER POLLUTION EMISSION LIMITS, WHICH WAS A CHALLENGE"

SANJIV SINGH, Chairman, Indian Oil Corporation

How was the shift to BS-VI emission norms?

We began the transition to BS-IV in 2010 and completed it in 2017. For BS-VI, we started supplying the fuel in Delhi two years ago and last year covered the NCR and Agra. We did it, though we were given three years to roll out BS-VI from April 1. At the time of the BS-IV roll-out, refineries were producing both BS-IV and BS-III fuel. Refineries could produce BS-IV by with only slight modifications. The bulk of the quantity continued to be old grade. In this case, the refinery cannot operate if it is not making BS-VI fuel. The major difference, apart from other things, is we go down to ultra-low sulphur, which is less than 10 parts per million (ppm), both for petrol and diesel.

We produce six-seven streams of both diesel and petrol, which we mix in different proportions, depending on the property of each stream so the final product gives the desired property — some may have very high or low quantum of sulphur. In the case of BS-VI, the entire volume has to be treated. We can't have anything that is over 10 ppm. We had to install more large units within the same refinery and hook up the system inside.

Emission and discharge limits have not increased for refiners. We installed additional units while the refinery was operating with the older pollution emission limits, which was a challenge. Everything had to be done within a short span. Even from the point of view of project management and award of contract, we adopted different processes so that we did not lose time. We are happy we set a tougher internal target that made it possible to move to BS-VI before the deadline.

What changes did you have to bring in evacuation of new grade petrol and diesel?

The primary movement of products is done through the same pipeline. In the pipeline, we put kerosene, diesel, and ATF. Between each product, we put a kerosene plug that had to have no sulphur, though normally kerosene has 2,000 ppm. It is a kerosene badge so that petrol does not mix with diesel. We used to put kerosene with 1,500 ppm sulphur content, while both sides we had 800 ppm sulphur diesel and petrol. We are now making special grade kerosene for pipeline transfer for which we needed to create necessary facilities.

Was roll-out in a single phase a challenge?

We implemented the earlier emission norms in phases. We started with tier-I and tier-II cities before expanding. The advantage is you get more time to implement, but the disadvantage is you always require two supply chains. So, it is good that we are supplying only one grade now. This is a very superior grade fuel and is a continuous effort.

There were apprehensions that using BS-IV fuel in BS-VI vehicles could harm them. Is that true?

I am not an expert on that, but what we are doing is reducing sulphur. Sulphur at high or low levels is poison for catalytic converters in BS-VI vehicles. It can take sulphur content of 20 ppm or less, but it is only the converter that gets impacted. Anyway, we are supplying BS-VI fuel all over the country. An individual customer will not feel the difference.

Had the shift been done in phases, wouldn't it have created a problem of BS-VI vehicles being exposed to lower-grade fuel?

It is not that the engine will cease. It is only the catalytic converter's performance that is affected, and it can be replaced. But supplying different grades of fuel is also possible. The idea is to use BS-VI fuel in BS-VI vehicles because only then will there be benefits. The entire country is moving to BS-VI, and slowly all vehicles will be BS-VI compliant.

OMCs have asked for a price hike to recoup investment. Has the government agreed to it and will it be the right time for a hike as global prices are low?

We price our products at FOB (free-on-board) price of Arab Gulf for petrol and diesel. We had linked our prices to Euro-IV grade. Now, they will be linked to Euro-VI with a minor quality discount or premium that may vary from Arab Gulf. There is a small delta in the Euro-IV and Euro-VI prices that will be captured in our pricing. However, there is the issue of capital expenditure, which the global prices do not capture. Indian Oil spent around ₹17,000 crore. OMCs together spent ₹35,000 crore, and auto makers say they have spent about ₹70,000 crore. We have raised the issue of price hike with the petroleum ministry. Though prices are deregulated in principle, we follow certain regulations. It is not that we fix a price that we want. We don't work on cost-plus model, it is a moving average of the previous 15 days. We need this hike, even if the prices had not reduced. We are producing BS-VI fuel since January, but are not getting that price. Besides, margins have been very poor.

How did OMC refineries coordinate? Were private refiners also part of this?

Every refinery was required to shut down. Existing units required a revamp, we had to make modifications and raise capacity. Hydro treatment for removing sulphur required hydrogen, so we had to put up hydrogen generating units. Plus, existing units had to be hooked up with existing systems. We can't do that alone. Two large refineries in the same region, even if they belong to different firms, cannot shut down at the same time. So, there was a lot of industry-level coordination, along with the ministry. Even today, if a HPCL refinery is shut, we will make sure that products of other refineries are available. There was coordination with private refiners as well, though they required fewer changes because they were producing higher quality of fuel for export. PSUs probably needed to change more, but private ones required some changes, too. It was well coordinated with other sectors as well. Carmakers needed BS-VI fuel to test their vehicles. We supplied the fuel wherever they wanted it.

Revival, not survival

Going ahead, the government's policy actions for the aviation sector needs to be less myopic

ANJULI BHARGAVA

As we begin the second week into the lockdown, we are still unable to assess the full impact on the economy and the aviation sector globally or in India. But a few things are already evident. One, the pain from this unexpected tsunami is likely to last longer than the tsunami itself. IATA has estimated a revenue loss of $113 billion for airlines globally. CAPA has estimated that if the cessation of operations stays till June, the combined industry loss in India (airlines, airports and concessionaires and ground handlers) for the first quarter of financial year April 2020-March 2021 is likely to range between $3.3 billion and $3.6 billion. Of this, the loss for the airlines is expected to be $1.75 billion.

While that could be written off as a one-time hit, what is even more alarming is that even if things return to normal, air traffic is likely to be severely affected for the entire year. CAPA estimates that the fall in India's domestic and international traffic could be as high as 30-35 per cent for the full year vis-a-vis the year gone by. IATA estimates a 9 per cent drop in traffic volumes in the year. Leisure travellers will decline as tourists remain wary and incomes take a hit due to the wider economic churn. Business traffic will be subdued and perhaps permanently altered by the use of technology platforms like ZOOM.

Moreover, depending on how long this plays out, the closure of some of India's six-odd players cannot be ruled out. The aviation grapevine is convinced that the the Tata group may see this as the perfect opportunity to bail out of a misadventure (Air Asia India). The industry is also unconvinced of the Wadia family's commitment to run Go Air, especially on account of their consistent failure to retain top managers. Many argue that Jeh is stuck in a predicament similar to that of Rahul Gandhi, with his heart not where he finds himself.

However, eventual closure of any of the airlines is more likely to be based on the head than the heart. Any casualties means job losses and further pain for an industry that has been racked with pain for over a decade now. In India alone, IATA has estimated industry-wide job losses to the tune of 575,000 as a result of Covid-19.

Another fact that is becoming increasingly clear is that the government's plan to sell Air India has come a cropper. Air India's sale chances looked grim in a pre-Covid world, but post the virus, I'd say the the probability of a sale no longer exists. The airline is likely to need close to $1.5 billion to survive this.

Faced with all this, there are, in my view, three things I'd like to see the government actively consider. One, it should look at asking private airlines to maintain a healthier balance sheet that allows them to survive small shocks if not a tsunami like the present one. Airlines in India have been pursuing a reckless path of growth at all cost, leaving themselves, their staff and the sector highly vulnerable. Just like the banks are required to maintain a certain cash reserve ratio, it might be worth considering asking the airlines to maintain a certain cushion (linked to fleet size) to withstand at least minor shocks.

Two, while it might be prudent for the government to support the industry's survival at this point, including through lines of credit, it should look beyond the industry's revival, which necessitates a sharper look at the airport charges and taxes, including those on turbine fuel, that make India's cost of operation higher than that of the region. This is necessary in an increasingly shrinking world. To my mind, there is simply no rationale for India not becoming an MRO hub in the region barring myopic government policy and mismanagement. India has over 200 million passengers a year now (domestic and international) and air travel can no longer be defined as a luxury. Taxes should be aligned accordingly.

Last but not least, grab this opportunity to bring the shutters down on Air India in a dignified manner. In the boat that the government finds itself, I don't see how it can justify spending over a billion dollars to keep an airline running when the same amount can be used to feed hungry mouths. Sell Air India's assets piecemeal and put an end to this sorry saga. You may have meant well by undertaking to sell the carrier, but circumstances are at times beyond even Superman's control. And this appears to be one of those moments -- even the Modi-Shah combine might not be enough to take this boat through choppy waters to the safety of new shores.

Hold the appetite for a higher buffer

The controversial overflowing granaries have come in handy to feed the poor during the Covid-19 lockdown. But should that be used as an argument to raise buffer stocking norms?

SANJEEB MUKHERJEE

Yesterday's headache has inadvertently become today's boon. The overflowing granaries that were, before the outbreak of the Covid-19 pandemic, a source of controversy for years, have enabled the Centre to ensure that a large chunk of the population, with livelihoods hit by the enforced lockdown, does not go hungry.

So much so, if Centre should wish to, it can distribute more than a year's ration in advance to the 800 million beneficiaries of the National Food Security Act (NFSA). So far, it has decided to give three months' ration in advance free, plus one kg of pulses per family (the choice of pulses varies according to regional taste).

TAKE TWO
ANALYSIS BEHIND THE HEADLINES

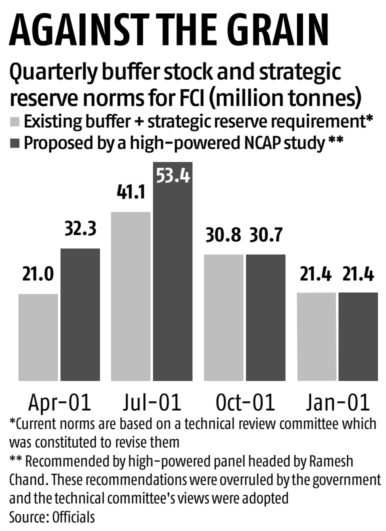
According to the Food Corporation of India (FCI), India's wheat and rice stocks in the central pool as on March 10 is estimated at 77.72 million tonnes (including 19.24 million tonnes of un-milled paddy). The total annual requirement of grains to run the NFSA smoothly based on the last three years' average is around 54 million tonnes. This is the position even before the country has started its annual wheat procurement for the 2020-21 season, which begins April 1.

As on date, all NFSA beneficiaries get 5 kg of wheat or rice per month at highly subsidised rates of ₹3 per kg for rice, ₹2 per kg for wheat and ₹1 per kg for coarse cereals. After the latest announcement by Finance Minister Nirmala Sitharaman, all of them will get an additional 10 kg of wheat or rice each for the next three months.

Though unintentional, this could create the much-needed space for the new wheat harvest (which could, however, be delayed because of a Covid-19-related labour shortage).

Assuming that the food grain offtake through the Public Distribution System (PDS) in April through June remain at the February 2020 levels, a back-of-the-envelope calculation shows that in normal course, around 9.3 million tonnes of wheat and rice would have been drawn out from public granaries. After the government's decision to double the allocation, almost 19 million tonnes is expected to move out.

The healthy stock position and the ease with which not only the central government but the states, too, have been able to announce free dry rations for the poor has rekindled the long-standing debate as to whether India needs to raise its quarterly grain stocking norms to face crises such as Covid-19. The opinion has long been divided between the cost of maintaining a hefty buffer stock, way above prescribed norms, and the wastage that occurs because of the excessive amounts that are procured owing to India's open-ended procurement policy. This is a real concern for the government that is badly strapped for cash — FCI has already made the unprecedented step of borrowing from the small savings pool to keep its operations going.



*Current norms are based on a technical review committee which was constituted to revise them
** Recommended by high-powered panel headed by Ramesh Chand. These recommendations were overruled by the government and the technical committee's views were adopted
Source: Officials

The Centre revises the buffer stocking norms for food grains every five years, and the last such revision occurred before the National Food Security Act was implemented in the country in 2013 (see chart). Accordingly, the government is required to have roughly 4.5 months of PDS requirement on April 1 of each year (based on the average offtake of the last three financial years). The July 1 buffer amounts to 9.2 months of PDS, October 1 seven months and January 1 around five months. The current stock position of grains, however, is much higher than the buffer norms, mainly on account of the open-ended procurement policy, which has become too politically sensitive to reverse.

Much of the argument in the past decade or so has focused on the merits or otherwise of the Direct Benefit Transfer (DBT) route of cash delivery enabled by the Aadhaar identification system.

"The last time the government decided against raising the buffer norm was on grounds that gradually there will be a shift towards cash transfers for PDS in place of grain," NITI Aayog member Ramesh Chand told *Business Standard*. But, as he pointed out, since the shift towards DBT has not been substantial, raising the buffer stocking norms may be the only solution on the table.

Chand headed a panel in 2013 which had recommended raising the quarterly buffer from current levels.

Former chairman of the Commission of Agriculture Cost and Prices and current Infosys Chair Professor for Agriculture at ICRIER Ashok Gulati suggests that a cash payout would still have been a better option. As he points out, the buffer norms were fixed keeping in mind the annual offtake of food grains through the PDS under the NFSA. The offtake figures for the past three years under NFSA show that it has been much less than planned. "So where is the need to revise or increase it?" he asks.

"The buffer norms of 2013 were devised taking into account the Centre's annual food grain requirement under NFSA which was around 61.2 million tonnes. But, last three year's offtake number has been 53-55 million tonnes. So, from that perspective there is no need to change the norms," Gulati said.

He said even in the current situation if someone had cash instead of dry rations, he or she might have bought food from somewhere to feed himself. "In any case, what will you do with wheat when *chakkis* (flour mills) aren't operational," Gulati said.

Indeed, access to food remains the key. That is why former food and agriculture secretary Shiraj Hussain advocated emphasis on building more community kitchens in cities for labourers and daily wagers and unclogging the distribution channels for smooth movement of processed food for urban consumers.

"Covid-19 is a once-in-a-lifetime crisis. So planning based on this might not be sustainable in the long-run, what we need is smooth supply chains to distribute the existing stocks not building on the inventories," Hussain says.

In short, raising the buffer stocking norms on the basis of Covid-19 would not be a good idea in the long run.

CHINESE WHISPERS

Piling up pressure

The outbreak of coronavirus has understandably put a lot of strain on the understaffed government medical and health service infrastructure, especially in Uttar Pradesh. The growing number of suspected cases, apart from the massive influx of migrant labourers, has only made more difficult the onerous task of screening and treatment in UP. In this backdrop, the state health department has ordered deploying four health workers in two shifts at the residence of the ruling Bharatiya Janata Party's UP president, Swatantra Dev Singh, to screen the stream of visitors. This directive has caused resentment among field workers, who say they are already overworked. Meanwhile, the ruling party and the office of the chief medical officer have chosen to stay mum on the issue.

Matching masks

After taking oath in a simple ceremony last week, Madhya Pradesh Chief Minister Shivraj Singh Chouhan (*pictured*) said repeatedly that fighting Covid-19 was his top priority. Chouhan has never failed to wear a mask while meeting people in recent weeks. Notably, he always wears a mask that matches his outfit. Inevitably, that came to the notice of the twitterati. So a user posted: "Shivraj Singh Chouhan's spirit in the fight with Covid-19 is commendable, but he looks more concerned about the colour of his masks." Another tagged Prime Minister Narendra Modi and asked: "Shivraj Singh Chouhan is now doing #coronafashionshow by matching masks with his dress. Will you fire him?" RTI activist and Vyapam whistleblower Anand Rai also took to Twitter to criticise Chouhan: "People are dying and the CM is busy matching masks. Why always in celebration mode?"

Crackdown in lockdown

West Bengal district magistrates, police, hospital administrations and other state officials had a harrowing time on Monday after Chief Minister Mamata Banerjee pulled up officials during a meeting to review the steps taken to tackle the novel coronavirus. During a videoconference, in which doctors and nurses were present, Banerjee came down heavily on administrators over preparations, leaving some of them blabbering and others in a cold sweat. Previously, Banerjee had conducted surprise visits to marketplaces to enforce the lockdown, catching unprepared violators off guard.

ON THE JOB

When the unemployment rate fails

What is the employment status of people who are stuck at home for an extended period of time? Are they unemployed?

MAHESH VYAS

Measuring the unemployment rate during a countrywide lockdown is like measuring water in the ocean. *Water, water every where/nor any drop to drink*. That was from *The Rime of the Ancient Mariner* by Samuel Taylor Coleridge in 1798.

Today, people are stuck in their homes surrounded by empty factories, warehouses, offices and shops everywhere. There are empty job seats everywhere, not any to gain.

What is the employment status of people who are stuck at home for an extended period of time? Are they unemployed? To answer that question, we need to assemble the official definition of the unemployed from its components. A person is classified as unemployed if such a person does not have any employment, but is willing to be employed and is actively looking for employment.

There are three elements in being classified as unemployed, all of which must be satisfied. You should not have any employment, obviously. And, you should be willing to be employed. And, you should be actively looking for employment.

In the current lockdown, save for non-essential services, what is the status of the rest who employed till a few days ago but, are now effectively locked at home. Are they without any employment? Yes. They have had no employment for the past one week or so unless they are allowed to and can work from home. Most people do not have the latter option.

Are these people willing to be employed? Arguably, Yes. Are they actively looking for employment? No. They cannot.

Therefore, most people who were employed till about a week ago or so, are not employed today because of the lockdown. And, they cannot be classified as unemployed as well because they are not looking for jobs. Some of them would go back to their old jobs after the lockdown. Their status is unclear. If there is reasonable certainty of such a person returning to the old job, there is a case to classify such a person as employed with or without pay but, with no work. This would be underemployment or, disguised unemployment.

Hypothetically, if this situation were to continue for the entire month of April, what would the unemployment rate in April be? Zero, or close to that. Because no one who did not have a job was actively looking for one. Almost everyone in this group will have simply moved out of the labour force.

In times of extreme stress, the unemployment rate fails to give us meaningful signals. As it did following demonetisation and GST.

The concept of the unemployment rate was developed in response to a situation where there were people who were looking for work but were unable to find any. It measures the degree to which a mismatch exists between jobs on offer and jobs on demand. Such a concept works well in an economy where institutions such as enterprises and government provide formal jobs and households provide the corresponding labour.

In India, institutions are not the biggest providers of jobs. Most jobs are informal in the unorganised sectors. During times such as the current lockdown, they lose jobs and have no hope of finding any. So, they just leave the labour markets.

The unemployment rate in India mostly reflects a mismatch between the demand for jobs among the relatively educated people and the availability of jobs for them typically in modern institutions. It does not reflect correctly the state of the daily wage workers and the self-employed.

Consider those waves of human beings desperately trying to get home after losing jobs in cities when the country was suddenly, overnight, placed under a lockdown. As they trudge back home, a job is the last thing they are thinking about. They need food and shelter for the family. The money in their pockets is useless at the moment. It cannot buy transportation back home. It cannot buy food or shelter.

If we were to ask them whether they were looking for jobs, they'd probably want to kill us. The question is irrelevant. And therefore, the unemployment rate is irrelevant.

The migrants know that they will eke out something for a living back home in their villages. They know there are no jobs. But there is safety. In many cases there is a standing crop of wheat, maize, gram and potato. They need to get to those crops before they rot as they would mostly likely in the next two weeks.

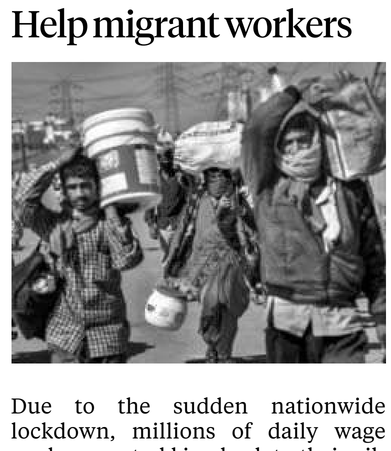
This is economic distress. But this will not show up in the unemployment rate. It will show up in a fall in the labour participation rate and in the employment rate. And for India, these should be the important lead labour market indicators.

The Consumer Pyramids Household Survey was suspended during the week ended March 29 because of the lockdown.

The author is MD & CEO, Centre for Monitoring Indian Economy P Ltd

LETTERS

Help migrant workers



Due to the sudden nationwide lockdown, millions of daily wage workers are trekking back to their villages from big cities like Delhi, in some cases covering 200 to 300 km, in the sweltering heat of the summer. Having lost their jobs, they have no money or food. Local authorities should persuade them to break their journey, house them in vacant local schools or hostels and provide them with food and other basic amenities. They should also give them some living allowances. This will help them to survive the current crisis.

Rajendra Aneja Mumbai

Inadequate measures

The Union government's order to the states to seal borders in order to restrict the movement of labourers who have been rendered jobless and homeless, amounts to mass discrimination. Many left unable to pay their house rents even as the Delhi government issued a statement recently saying that it would pay the rents in case the tenants were unable to do so. On the other hand, there are a number of senior citizens who rent their houses to the migrant workers and their sole earning is the rent paid by them. The Prime Minister has also appealed to the industry to pay the wages of the workers for the period of the lockdown. But how will the small-scale industries/contractors, whose businesses have shut down, make the payments to the workers? Similarly, there are lakhs of private schools across the nation, functioning on no-profit-no-loss basis and the government has asked them to defer the fee payment. But they will have to pay the teaching and non-teaching staff. The lockdown should not mean robbing Peter to pay Paul.

Pooja Khosla Chandigarh

Together in crisis

Apropos the editorial "Covid-19 crisis: Imposing a financial emergency can be useful" by A K Bhattacharya (March 30), there is no doubt to impose a pay cut for the government and PSU employees, one has to use the provisions of Article 360 enshrined in the Constitution. But the bigger question is that will such a step be wise at this juncture when quite a few states are ruled by the parties who will oppose any such step by the Centre? When the poor are suffering, it is imperative that the salaried class should contribute financially. Otherwise, this will lead to more inequality and social unrest during and after the corona crisis. It would be apt, reasonable and politically sagacious if all the states are taken into confidence before declaring a financial emergency, if there is no other way to force a pay cut. In the true spirit of democratic federalism and nationalistic integration, the states should also suspend their political animosity with the Centre for the time being and implement measures that can pull the country out of this crisis.

Ganga Narayan Rath Hyderabad

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HAMBONE

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Testing times

Without correct data, policy decisions will be difficult

For a major country with one of the world's highest population densities, India appears to be an outlier in the Covid-19 pandemic with just over 1,100 cases till March 30. The country appears, as far as it is feasible to know, to have evaded community transmission so far. A new Standard Operating Procedure, issued by the health ministry for transporting a Covid-19 case on Sunday, refers to India's current phase of the pandemic as "local transmission and limited community transmission". When compared with the world's hotspots — the US (over 140,000), Italy (over 97,000), and Spain (over 80,000) — or others such as Iran (38,309) or even Pakistan (1,625) — India appears to have fared well. The rate of growth of reported cases, too, seems to have tapered. After spiking more than 40 per cent on March 11, 10 days before the nationwide lockdown, the daily growth rate of new cases has dropped, though the absolute numbers have risen. An interesting debate follows: If India genuinely has low numbers, the lockdown was unnecessary because it has wrought human and economic havoc. On the other hand, it could be claimed that it is the lockdown that has kept the numbers low. With just under a week into the lockdown, however, it is impossible to judge its impact. Equally, given the variable nature of statistical reporting in India, the numbers themselves may be open to question.

The short point is that without more universal and rigorous testing, it is difficult to gauge the next step: Whether to extend the lockdown or end it. This decision can be taken once the government has definitive test results to work with, since reports have shown that the states that have tested more people have reported more cases. Currently, however, the Centre's testing policy is limited to those showing symptoms or those with a travel history. Updated knowledge of the nature of the virus suggests that it is not enough, since it is possible for infected people to remain asymptomatic and yet become carriers in the absence of testing. According to the Indian Council of Medical Research (ICMR), only 34,931 tests had been conducted as of Sunday, representing about 30 per cent of the capacity utilisation. Last week, the ICMR sought quotations from suppliers for a million antibody kits (for screening via blood tests) and 700,000 RNA extraction kits (or the swab test) and expanding the number of government and private labs to conduct these tests. This is not nearly enough for a population of 1.3 billion, a good chunk of whom — urban migratory workers — have been forced to jettison social distancing to head back to their villages.

Access to tests is one part of the problem. According to the ICMR, only 113 government labs have been made functional and 47 private labs have been given approval to test for Covid-19, the bulk of them in urban areas. The social stigma of being tested is acting as a deterrent too, according to accredited private labs. This apart, the relatively high cost of testing — the government has capped it at ₹4,500 per test — is sure to deter most Indians from opting for it anyway. In this situation, it is vital for the government to not only exponentially expand testing facilities but also foot the bill. This looks like an expensive proposition for a government battling a mounting fiscal burden. But when compared with the consequences of bringing the Indian economy to its knees, it is a small price to pay.

Universalise benefits

Everyone must have access to basic facilities

The sight of a large number of people, many of them migrant workers, crossing state boundaries, lining up for buses and in some cases simply walking along highways, reveals that the national lockdown will be ineffective unless accompanied by quick action on the part of the Union and state governments. Clearly, before the lockdown was imposed, better signalling was needed to the population of the importance of staying in place. But there are those for whom staying in place would not be a feasible option. Some daily-wage earners might worry about the ability to afford necessities such as food. Others might have no real place to stay, having been in temporary accommodation or refused further tenancy by a landlord, or are without money to pay the rent that is due. Thus, there is a certain involuntary component to their movement, which must be recognised. Most of those trying to reach their native places may not have a choice.

The problem is that large-scale movement clearly undermines the whole point of the lockdown. The lockdown, while costly and disruptive, may be the only way to avoid the large human cost of a swiftly spreading virus. Yet all the effort will be wasted if there is no clear control of movement, as well as careful quarantining of those coming from high-risk areas. This is both a problem of communication and a problem of action. But the second must predate the first — to reassure worried people, it is necessary to ensure first that there are facilities that can be effectively communicated to them and prevent them from taking the decision to move. The vital measure required in the current situation is to universalise benefits — access to cooked food for those who have no access to a kitchen, places to hunker down if landlords have thrown someone out, telecom facilities to make calls in case people can't recharge phones, and free medical testing and protective equipment like masks.

It will be an expensive and difficult undertaking for the Indian state. But that is the cost of a (hopefully) once-in-a-lifetime public health crisis. This will require greater co-ordination between various departments and action from both the Union and state governments. At the moment many of these, including the Union government, have been slow off the mark. This slowness risks rendering the entire lockdown a pointless waste of time and energy, and opens the possibility that uncontrolled virus spread will create a humanitarian crisis at levels not seen in recent history. The chaos in the various government and departmental responses, as well as the confusion and concern that is widespread in India, is beginning to look like a repeat of the chaos of demonetisation — but with even more at stake. The poor can't be left on their own to die either of Covid-19 or of hunger. Then there is the challenge of planning for a post-Covid world. According to the International Labour Organization, Covid-19 could render 25 million people unemployed and many more underemployed by virtue of reduced wages and working hours. This is especially critical in India, where a large part of the population is either self-employed or dependent on daily wages for their subsistence. There is no time to be lost.

ILLUSTRATION: AJAY MOHANTY

Now what?

Once the lockdown is lifted, we will need the mother of all fiscal and monetary policy support to sustain the economy

Given the total shutdown across the world, with most major economies imposing some form of lockdown, the obvious question on the minds of investors is, how long will this lockdown continue, and at what cost?

The Covid-19 disease has extracted a huge price from the global economy. We are at over 600,000 cases and 30,000 deaths. The disease continues to spread quickly, with cases doubling in many jurisdictions every three days. The world is going into a recession, and most indicators show far steeper falls in economic activity than even during the global financial crisis. Many commentators expect a 25 per cent decline in US gross domestic product (GDP) quarter-on-quarter, with similar declines in most of Europe. Most countries will have negative growth for the year. I have never seen economic data fall as steeply as observed in China, and soon to be seen globally. Everything is just falling off a cliff, led by the services sector. To illustrate, the US weekly initial unemployment claims at over 3 million were five times the previous peak.

AKASH PRAKASH

The economic toll of the lockdowns is immense. The question now shifts to how long will they need to be in place? Having reacted too late to the spread of the virus, most countries had to put in place lockdowns to ensure they stop the disease in its tracks. Had countries reacted earlier with more extensive testing and contact tracing, like Taiwan or Singapore, then such extensive lockdowns may not have been necessary.

The theory here is clear. We need to bring the R (reproductive rate), or the number of people infected by someone who has the virus, down to below 1. If R is above 1, the virus will continue to proliferate; below 1, the virus will slowly decrease. The estimated R of Covid-19 is between 2 and 3. The entire objective of the lockdown is to bring R to below 1. Once this is accomplished, the strict lockdown can be relaxed, as long as we can ensure that R stays below 1, and more relaxed policies can be put in place. With this approach, the disease is not eliminated, but the number of cases remain stable and we avoid any sudden spikes, which could overwhelm health systems —the nightmare scenario every country is trying to avoid. The lighter control measures must remain in place till we get a vaccine, effective medication becomes available or till we achieve herd immunity so as to ensure any new local outbreak can be nipped in the bud. For a vaccine, we will need at the minimum 12-15 months.

The policy path is thus clear. Impose severe social controls and lockdowns, till such time as we can bring R to below 1. Then follow it up with a set of lighter controls, no large functions, some travel restrictions, targeted social distancing (for the old), strict testing and contact tracing, all designed to keep infections under control and give scientists time for the development of a vaccine or new medication. This way we are effectively buying time, with the least economic cost.

The good news is that strict social controls and lockdowns have proven to be effective in reducing the spread of the disease quickly. The impact of China's January 23 lockdown was visible within five days. China was able to flatten the infection curve, ex-Hubei province, within two weeks and in Hubei itself in a month. Even in Italy, the lockdown has now visibly slowed the spread of new infections.

Thus, for any country that is able to strictly enforce social distancing and a lockdown, within a month the infection curve should flatten and the R drop to below 1. The bad news, however, is that controls won't just disappear. Lighter controls will have to remain in place for up to a year. The economic damage of lighter controls is as worrisome as a full lockdown. Controls, even limited ones, impact consumer confidence and consumption. Even today in China, despite most of the lockdown measures now being lifted, and very few new cases, manufacturing activity is just about 80 per cent of the normal level and the service sectors far weaker. Theatres, malls, travel and restaurants are still running at less than 50 per cent of before-crisis activity levels. This despite more than two months having passed since the lockdown began.

This is going to be a long haul. There will be substantial damage to the economy, especially the services sector. This will not be over in three weeks. There will be savage and unprecedented cuts to corporate profits. Consolidation will accelerate across sectors. Strong balance sheets will be a competitive advantage. Larger companies will gain share. There will be substantial bankruptcies and layoffs, especially among the small and medium enterprises sector. Banks will have to brace for a surge in non-performing assets. Given the risk-aversion already visible among banks, over the last 24 months, the regulatory authorities have to ensure we do not see a credit freeze for everyone except AAA borrowers. Risk aversion will rise across the economy. It will be impossible to forecast FY21 profits, and it will be a lost year for most companies. Most corporations, across the world, will go into cash conservation mode, with all capex plans and discretionary spend on hold.

In such a risk-averse environment, the quality premium will sustain, no investor will tolerate governance issues or balance sheet stress.

The path ahead remains uncertain, but the central case for India and other economies must be a very sharp contraction in economic activity for the coming few weeks as the lockdown bites, followed by a slow recovery as we transition out of the lockdown to less strict social distancing. The willingness of governments to be bold and assertive in economic policy will be tested.

We will need the mother of all fiscal and monetary policy support to sustain the economy. Investors will back those countries and markets where the authorities step up. While the Reserve Bank of India has delivered, the fiscal response seems too timid. This is not the time to worry incessantly about the fiscal deficit. In an environment where other countries are delivering fiscal support of 10 per cent of GDP, our response at only 0.5 per cent of GDP (genuine new spending) seems too modest. Given the extent and importance of small and medium business to growth and employment in India, our dependence on services and the lack of a social safety net, we are uniquely vulnerable. The government has to be bolder.

The writer is with Amansa Capital

Toward a coherent strategy for Covid-19

The United States needs a clearer economic strategy to deal with the Covid-19 pandemic. While the crisis is unique in many ways, the economic-policy approach following the terrorist attacks of September 11, 2001, seems to be the most useful historical analogue.

Like today, that episode involved a sudden, surprise attack that threatened the entire economy, and thus required a rapid response. The immediate task was to sever al-Qaeda and its collaborators' sources of financing without disrupting financial flows, economic activity, and the reciprocal relationships needed for economic growth. In the end, this strategy proved successful. The economy did not tank, and the 9/11 Commission later awarded the economic-policy response its only "A" grade.

Having a strategy is essential. But equally important is that the strategy accurately describe the economic problem at hand. It then must offer specific short- and long-term policies to confront that problem, and it must explain clearly how those measures will achieve their intended ends. Finally, the strategy also must include a plan to guide implementation by the relevant departments of government, the private sector, and US allies around the world.

JOHN B TAYLOR

Today, the big problem is that otherwise sensible efforts to limit the spread of Covid-19 — shelter-in-place mandates, social distancing, businesses closures, travel restrictions — are hitting the economy hard and will continue to do so for some time. With both the US federal government and many state governments — including California, New York, and Washington — having issued orders restricting commerce to varying degrees, people are beginning to worry that the cure might be worse than the disease.

But measures to limit the contagion are not the only threat to the economy and markets. So, too, are many of the economic-policy responses currently under consideration. For example, one-time payments to households, while understandable on humanitarian grounds, will neither open up markets nor give firms an incentive to hire. Past experience — namely, the rebate payments issued after the onset of the 2008 financial crisis — shows that such "stimulus" measures do not in fact stimulate. Because people assume that the payments will be temporary, they tend to save rather than spend the disbursement.

To be sure, some elements of the US response are more favourable to markets, including the Federal Reserve's creation of new facilities to keep credit flowing, and efforts by the private sector to expand health care facilities and produce more personal protective equipment for health care workers and patients. But these are exceptions. The broader trend has not been in favour of the kind of free-market policies that are essential to economic growth.

More to the point, the US has no clear strategy, which is why recent piecemeal responses have faltered.

Policies to open markets need not be inconsistent with sound public-health policies. The federal government should not shrink from encouraging more market transactions, rather than trying to smother all economic activity.

Now is a great time for people to order (online) that $2,000 Peloton exercise bike they've been hearing about, or to upgrade their home-computer equipment. To facilitate e-commerce during the crisis, the Federal Aviation Administration could ease its restrictions on the use of drones for home delivery, especially now that fewer commercial airliners are flying. For my part, I am offering my spring economics course online. According to the student ratings that have come in, the product is just as good as the on-campus course I have been giving for years.

The crisis also creates an opportunity for regulatory reform. The US strategy could seek to repeal — or at least suspend — many of the rules that hamper growth, while also placing a moratorium on new regulations that risk undercutting employment.

One obvious place to start is the 1920 Merchant Marine Act (the Jones Act), which restricts the transportation of goods between US ports by requiring that they be carried on American-made and -operated ships. Rescinding this rule would lower freight costs and open up more distribution channels. Longstanding proposals to streamline the Food and Drug Administration's approval of new drugs would also be consistent with both the pandemic response and economic growth.

By the same token, repealing occupational licensing would open up sectors of the labour market to people who have long been shut out. The plague of unnecessary licensing has spread over the years to include everyone from tour guides and florists to interior decorators. This is not a partisan issue. Under former President Barack Obama, the White House Council of Economic Advisers concluded that runaway licensing requirements "raise the price of goods and services, restrict employment opportunities, and make it more difficult for workers to take their skills across state lines."

Finally, Congress should adopt a bipartisan agreement that there will be no tax increases for the foreseeable future. That commitment alone would provide a real economic boost, and it would be especially welcome now that some are already calling for tax increases. The tax-hike chorus is sure to grow louder once the deficit from the economic-policy response starts to grow.

In sum, the paramount economic problem today is that the response to the pandemic is restricting rather than opening markets. While there will be pressure to relax these restrictions in the weeks ahead, a better strategy would be to deploy more market-opening measures that are consistent with public-health imperatives. The US must take steps to limit job-destroying regulations and avert growth-sapping tax increases — before it's too late.

The writer, under secretary of the US Treasury from 2001 to 2005, is professor of economics at Stanford University and a senior fellow at Stanford's Hoover Institution. He is the author of Global Financial Warriors and Choose Economic Freedom *(with George P. Schultz). © Project Syndicate, 2020*

Employment beyond the data

BOOK REVIEW

LAVEESH BHANDARI

How does one understand employment in a country as diverse and complex as India? You study data and policies on employment, right? Wrong. To understand employment one has to understand the economy first. And employment is an outcome that can best be understood in the context of the economy and even demography. And that is where this book, *Employment in India*, does not score.

Since independence, the Indian economy has been growing at rates moderately high, to slow, to high, and back to moderate in recent times. Inadequate employment opportunities have been generated throughout this period. Economists of various types, demographers, social scientists are not the only ones who have lamented on the inadequacy of employment generation. Perhaps politicians have been even more concerned.

The proposed solutions have been broadly related to three areas. First, we need to ensure that the workforce is better educated and skilled and that will help them access jobs with higher productivity. Second, free the shackles on economic growth and opportunities from high growth will percolate down to the masses. And third, we need to ramp up manufacturing and rapid employment growth will occur just as it occurred in China.

India failed in all three. Actually, it did not fail completely, but failed moderately on all three fronts, though some may say it succeeded moderately as well. Whether you call the glass half-full or empty, it is not good enough. Improved health care and access to basic needs contributed to a massive increase in population post-independence and, therefore, those in the working-age groups have risen dramatically. While opportunities were being created moderately, the supply has been increasing far more rapidly. The core problem lies here.

To understand the unemployment problem let us first start with education and skilling. Basic education was a huge mess until recently and even today, it scores quite poorly on the mess index. Students now go to school, though many teachers do not; classes may now be held, though learning is low. As a consequence, a person from the lower socio-economic segments is ill-equipped to access new opportunities being thrown up. If people can't access new opportunities, some of them can't become entrepreneurs and create new opportunities for others. Salaried jobs and entrepreneurship both suffer.

But the problem is worse than that: How can a society retrain or skill a workforce that is not able to read properly? It can't. And so that cohort is forced to work in jobs that otherwise should not have existed by now. The lack of good-quality basic education lies at the core of India's employment problem and the only option left for the policymaker to take care of the illiterate and unskilled is to artificially create specifically designed jobs or opportunities for them. Therefore, we have micro-construction oriented policies, the National Rural Employment Guarantee Act and all kinds of welfare schemes.

EMPLOYMENT IN INDIA
Author: Ajit Kumar Ghose
Publisher: Oxford University Press
Pages: 192
Price: ₹345

Next consider the growth problem. It is never the case that economic growth creates employment uniformly, it's a non-linear process. For instance, the IT growth created few jobs compared to the income generated, but there was a percolation effect. Demand for personal services, housing, manufacturing products created second-order opportunities for others. Except, no political conglomeration was really in favour of opening up beyond the initial reforms. As the economy remained shackled, organised growth never took off. Labour laws, inspector *raj*, highly unresponsive governments in the Centre and states that ramped up the prices of land, capital, energy and supplemented it by troubling entrepreneurs incessantly led to only moderate growth in the organised sector.

Strangely, there was a missing middle problem in India: Firms just would not grow from small to medium scale. A few were able to "manage" the government better and became large, but that was less because of their efficiency in operations. And so, employment growth in the organised sector was highly compromised. Forget foreign investment, even Indian investment in risk capital is limited. So while growth went down and up and down, it was of very poor quality, did not create enough jobs and has been always inadequate for the task at hand.

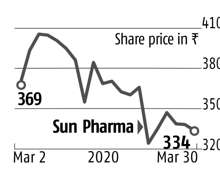
And finally, consider the notion that manufacturing is the answer to India's employment problem. It is not. We now know that Indian manufacturing will not be able to address the employment problem in the next few decades at least. Why? For one, it can't grow that rapidly. But let us leave that aside for the moment. Two, when the majority of the workforce is illiterate or barely literate, how can it be trained to take up manufacturing jobs in the new globally competitive economy? Three, there is the environmental mess that was first created in the West and worsened by China and if India gets into the same bandwagon, God only knows where we all will end up. So, the third option is now no longer an option.

To sum up, this volume talks about labour and jobs, various problems and solutions, elasticities and rates, and so on. It has data, definitions and explanations, and it would be of help to those who want to know about labour. But it misses out on the economic issues that underlie employment.

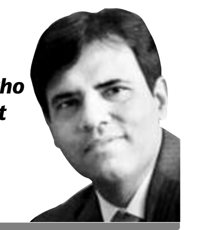
The reviewer heads Indicus Foundation and works on environment and inclusion

Business Standard
NEW DELHI | TUESDAY, 31 MARCH 2020
The Smart Investor
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: REGULATORY OVERHANG FOR SUN



Sun Pharma stock has shed about 18% from its monthly highs, with the latest trigger being the USFDA action on its Halol facility. This will impact product approvals as well as despatches from the plant



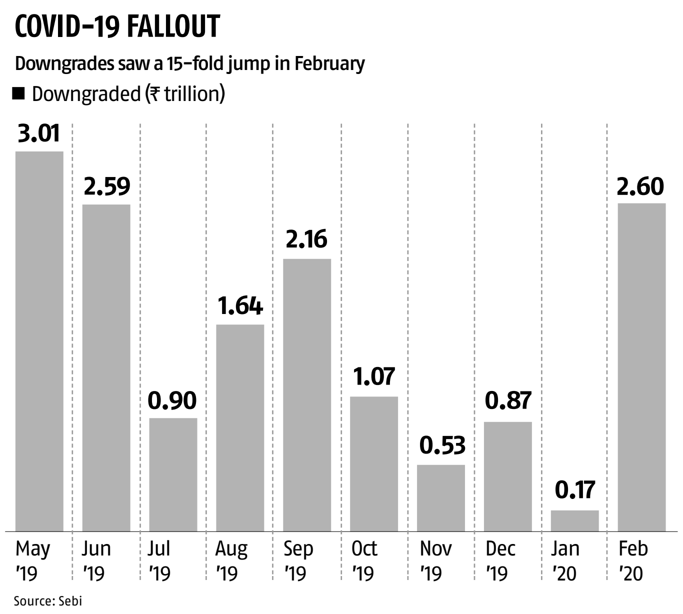
"The worst month for the Sensex in the last 40 years has been October 2008, down 23.9%. If markets close at around current levels, this would be the worst month at 24.5%. People who bought on November 1, 2008, made 60 per cent over the next one year"

SANDIP SABHARWAL
Investment advisor

Sebi eases norms for rating agencies

Corporate bonds worth ₹2.6 trillion downgraded in Feb

JASH KRIPLANI
Mumbai, 30 March



The fear of high intensity of rating downgrades — with over ₹2.59 trillion worth of debt papers being downgraded in February — was allayed to some extent on Monday, with the Securities and Exchange Board of India (Sebi) temporarily relaxing norms for rating agencies, in light of the operational disruptions caused by Covid-19.

The markets regulator issued a circular stating that after the Reserve Bank of India's (RBI's) move to provide moratorium to banks on classification of non-performing assets (NPAs), rating agencies should also use their discretion to check if a default was solely on account of the lockdown or because of procedural delays in availing of the moratorium given by the central bank. If so, the rating agencies may choose not to consider such a delay as default.

The relaxation is being given for three months, in line with the RBI's moratorium. Further, the market watchdog has given relaxation on rating action in case of delay by the company in providing information due to the lockdown. "However, rating agencies should endeavour to finish the exercise on a best-effort basis. Such cases shall be put up for ratification by the rating sub-committee of the board of rating agency," the Sebi circular read.

Market participants have called it a timely move, but downgrades could still continue, with rating agencies likely to factor in current disruptions and grade debt papers.

"Raters may refrain from giving default or 'D' grade, but all other ratings remain on the table. Rating agencies may need more clarity from Sebi as it has not directed them to refrain from bringing down an instrument to below-investment grade, if it evaluates the company as unsuitable for fresh investment," said a fund manager. In February, the quantum of downgrades had jumped 15x over the previous month. This was the highest value of corporate debt papers downgraded in nine months. However, it could not be ascertained whether the Sebi data has adjusted for multiple downgrades of same security.

Debt market participants said that while the RBI's ₹3.74-trillion liquidity enhancement would help good-quality corporates find avenues for refinancing, lower-quality bond issuers could see rating pressures amid disruptions in daily operations. According to rating analysts, the moratorium by banks on classifying accounts as NPAs, coupled with lower financing costs, will help corporates with cash flow mismatches. However, revenue-related challenges will continue in the near term.

They added that airlines, hotels, tourism, malls, organised brick-and-mortar retail stores, multiplexes, and restaurants have been among the most vulnerable to rating action and weakening of credit profile. Under the existing regulatory framework, a 'D' or 'default' grade cannot be reversed to investment grade for a period of at least 365 days. Further, the regulations stated that a delay of one day or even one rupee has to be considered as default, and appropriate rating action should be taken.

Regulator puts major market reforms on hold

SAMIE MODAK
Mumbai, 30 March

The Securities and Exchange Board of India (Sebi) has deferred the implementation of key market reforms on account of the disruption caused by the pandemic.

The areas in which Sebi extended the deadlines are implementation of the stewardship code for mutual funds (MFs), shortening the initial public offering (IPO) timelines, and overhaul of regulations governing portfolio management services (PMS) and alternative investment funds (AIFs).

Sebi also provided relaxations in the know-your-client (KYC) formalities for foreign portfolio investors (FPI). The so-called stewardship code, an institutional investor's guide to vote on resolutions floated by listed companies, will now come into effect from July 1 instead of April 1. Under this, MFs and AIFs are required to formalise a comprehensive policy on discharge of their stewardship responsibilities, which have to be disclosed publicly and reviewed periodically.

The regulation was aimed at increasing voting participation and improving corporate governance standards. Both the MF and AIF industry bodies had written to Sebi, seeking extension of the deadline.

Meanwhile, Sebi's plan to shorten the time taken between closing of an IPO and listing of a security to three days (T+3), from six at present, is likely to be delayed.

Sebi has put on hold the final phase of implementation. "Taking into account that introducing any new changes under the prevailing circumstances — where staff at the stakeholders are sparsely populated — may not be workable, it has been decided to continue with the current phase-II of till further notice," Sebi has said.

Industry players said Sebi could consider implementation of the third phase once the IPO market revives, which will be possible only after the pandemic ends.

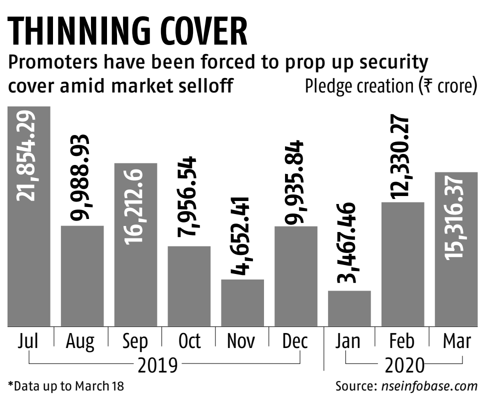
The regulator has also provided a huge relief to the PMS industry, deferring the recent overhaul of regulations by two months. In February, Sebi had notified big changes for the industry by doubling the minimum investment size to ₹50 lakh, hiking the net worth from ₹2 crore to ₹5 crore and capping the fees charged to manage money.

The new framework had coincided with the crash in the market, hitting the industry hard. AIF and venture capital funds (VCFs), too, have given two more months to make regulatory filings for March and April.

As regards FPIs, Sebi has said they can register without providing original and certified documents, provided they send the scanned versions to their custodians. The regulator has said this is a temporary relaxation and FPIs will have to submit their original documents before June 30, or face suspension. Sebi has directed the custodians to conduct proper due diligence.

Promoter pledging jumps to 6-month high

JASH KRIPLANI
Mumbai, 30 March



The sharp sell-off in the markets has led to a spike in promoter pledging as declining share prices forced promoters to put in place additional security cover.

So far in March, fresh pledge creation stands at ₹15,316 crore — the highest in six months. Pledging is up 24 per cent over the last month, showed the data sourced from *nseinfobase.com*.

According to experts, the market cap (m-cap) erosion of these companies has forced them to beef up the collateral value with more shares. "Promoters are forced to top-up collateral as the m-cap of their fims has eroded amid the market sell-off. We have also seen lenders invoking pledged shares. In an environment where promoters are finding it difficult to repay loans given the tight liquidity, they are forced to top-up their collateral value with more shares," said Pranav Haldea, managing director at PRIME Database.

The data sourced from *nseinfobase.com* and exchanges showed that firms, where pledges were created in March, included Adani Enterprises, Emami, Sadbhav Engineering, and Aurobindo Pharma. The stocks of these companies have seen a sharp correction, with their stock trading 34 per cent-79 per cent below their recent peaks.

Market experts say companies with pledging have seen sharp selling pressure. "Conservative investors are quick to exit from companies where there are high levels of pledging. Investors are even warier of companies where along with pledging, there is high leverage," said G Chokkalingam, founder and managing director of Equinomics Research and Advisory.

Analysts say fresh pledging of shares is likely to remain on the higher side in the coming days.

An analysis done by India Ratings and Research (Ind-Ra) indicates that 21 BSE500 companies will be required to pledge more than 100 per cent of the promoter holding (as on March 19) to maintain a minimum 2.5x share cover, assuming the quantum of loan-against-share (LAS) transactions outstanding as on December 31, 2019.

"In other words, these entities could be required to pledge additional collateral or deposit cash to maintain the original security cover," Ind-Ra said in its recent note.

The sharp correction in share prices has put the entire LAS market under risk. The market volatility can put in trouble those lenders which have been active in extending loans to promoters against their shares.

The analysis by Ind-Ra shows that of the 58 firms likely to have more than 50 per cent of their promoter holdings pledged, 19 are already in default, while another 19 are classified as an elevated risk of refinancing. Sectors, such as power, construction, and metals — which have been most exposed to cyclical risks — are likely to see a high proportion of promoter holding pledged.

Further, market participants say stressed promoters may be able to delay margin call if lenders are given confidence that payments will be made in full. "Lenders could delay selling the pledged shares as the recovery from such selling is likely to be lower, with shares already at beaten-down prices," said a fund manager.

Credit cost likely to rise by 200-210 bps, says IndusInd

SHREEPAD S AUTE
Mumbai, 30 March

In its first analyst call after the appointment of Sumant Kathpalia as managing director and chief executive officer, IndusInd Bank on Monday discussed the impact of the Covid-19 pandemic and the steps it is taking to strengthen its business.

IndusInd Bank expects its credit cost (bad loan provisioning as a percentage of loan book) to be around 200-210 basis points (bps) in the March 2020 quarter, which indicates a rise in bad loans. This is way higher than the average 37 bps seen in the past three quarters, said an analyst with a domestic brokerage.

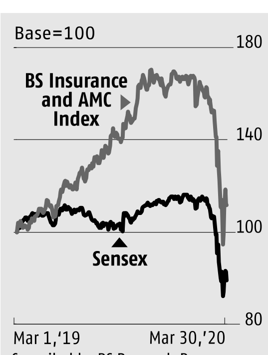
More on business-standard.com

THE COMPASS

Insurance, AMC stocks better alternatives in BFSI space

However, premium growth could be impacted in the near future

HAMSINI KARTHIK



On a day when the Nifty Bank Index fell over 6 per cent, stocks of insurance companies — mainly life insurers — bucked the trend, with gains between 3 and 5 per cent. New India Assurance was up over 13 per cent, the highest among these stocks. With heightened risk aversion to banking and non-bank lenders, analysts say insurance and asset management companies (AMCs) could turn out to be an interesting alternative in the banking, financial services and insurance (BFSI) segment.

"Markets are moving towards non-lender-based financial sector stocks, such as insurers and asset managers, as they do not carry balance sheet risk and offer growth opportunities," say analysts at ICICI Securities. Even those at Kotak Institutional Equities feel that stocks in the insurance segments may be better placed than the lending segment within the financial services space. The fact that these companies work towards the financialisation theme — which is aimed at improving the customers' savings — positions them better than banks, especially at a time of slowing economic growth. Moreover, ahead of March's market meltdown, these stocks didn't find much favour because of their expensive valuation. With 30–37 per cent stock price correction in the past three months, concerns on valuations have also been addressed, making insurance and AMC stocks attractive for investors.

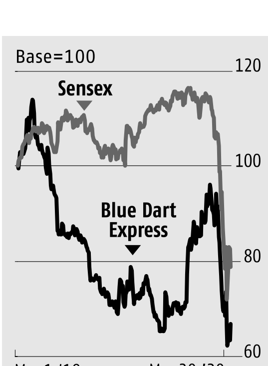
However, even if these stocks offer potential, there are some downside risks that investors should be cognizant of. For one, as the reinsurers have started increasing their pricing, insurance companies, too, may hike their prices to customers. However, under the current conditions, the degree to which price hikes can be implemented is questionable. "Weak retail sentiment, on the back of Covid-19, and focus on growing the high-yielding protection segment (individual protection and credit life insurance), will likely deter insurance companies from raising protection pricing sharply over the next few quarters," say analysts at Kotak Institutional Equities.

The brokerage also warns of a potential fall in persistency ratios because of a shift in consumer preferences and high unit-linked insurance policies surrenders. Consequently, there may be some short-term pressure on pricing for insurance companies. For AMCs, one needs to be watchful of redemptions and persistency of systemic investment plans.

Uncertainty clouds Blue Dart's near-term prospects

Revival in discretionary demand crucial

SHREEPAD S AUTE



In an otherwise bearish market, the stock of Blue Dart Express (Blue Dart) surged about 16 per cent intra-day in Monday's trading session, before closing 5.6 per cent higher at ₹2,103.85 apiece. News pertaining to the lifting of supply ban on all essential and non-essential items across states improved investor sentiment. However, it may be too early to expect a full recovery in growth.

The nationwide lockdown has disturbed the entire delivery system, which has affected the business of Blue Dart

Factors such as state-wise logistic disturbance, uncertainty over the lockdown period (impacting overall volumes), and delay in recovery of discretionary demand are near-term business risks for Blue Dart, which provides surface and air-based courier and cargo logistics solutions.

The nationwide lockdown amid the coronavirus pandemic has disturbed the entire delivery system within the country (including air and surface), which has impacted the business of express delivery players such as Blue Dart. Not only the top line, but lower volumes would also impact its profitability in the next couple of quarters. "Lower air and surface volumes would negate the cost optimisation and employee rationalisation initiative by the management in the near term," according to analysts at ICICI Direct.

Though the company is still delivering essential items, revenue contribution of these products for Blue Dart is not significant, say analysts. Thus, a recovery in overall demand, especially of discretionary items is crucial. However, according to some analysts, there is uncertainty over the length of the lockdown period. Also, even after the lockdown period, it is unclear how long it takes for discretionary demand to recover.

Apart from demand, operational issues — including a likely labour shortage — is another worry. While Blue Dart's business is expected to remain weak till first half of 2020-21 (April-September 2020), some recovery is likely from December 2020 quarter onwards. Yet, the silver lining is the expectations of market share gains from small players. As the latter would be more affected during the ongoing crisis, recovery would be comparatively difficult for them. The jury, however, is out on this.

For now, investors are recommended to await for signs of the current tough situation abating. Although the stock (following a broader market fall, with the Sensex down about 26 per cent) is down by about 24 per cent in the past one month, and 42 per cent from its 52-week high, at 44x its FY21 estimated earnings, it is still not cheap.

JPMorgan says market rout is past its worst now

JOANNA OSSINGER
30 March

"Risky markets should remain volatile as long as infection rates create uncertainty about the depth and duration of the Covid-19 recession, but enough has changed fundamentally and technically to justify adding risk selectively"

JOHN NORMAND
Head, cross-asset fundamental strategy, JPMorgan

Strategists at JPMorgan Chase have concluded that most risk assets — a universe that typically includes stocks and credit — have seen their low points for the recession that's gripped economies around the world.

Conditions that JPMorgan had set for market stabilisation and revival have largely been met, with recession-like pricing, a reversal in investor positioning and extraordinary fiscal stimulus, strategists led by John Normand wrote in a note on Friday. Coronavirus infection rates remain a "wild card," as they remain high even if they're "slowing" in the US and Europe.

"Risky markets should remain volatile as long as infection rates create uncertainty about the depth and duration of the Covid-19 recession, but enough has changed fundamentally and technically to justify adding risk selectively," Normand wrote. "Most risky markets have probably made their lows for this recession, except perhaps oil and some EM currencies beset by debt-sustainability issues."

Most risk assets should trade higher in the second quarter of the year, Normand said. He recommends that investors average into oversold markets, particularly those where central banks are buying directly. (Averaging into markets entails spreading out the purchases over time rather than diving in in one go.)

Not everyone sees the bottom as necessarily in.

Goldman Sachs Group's David Kostin reiterated in a note on Friday that he expects the market to turn lower in coming weeks. He cited a checklist for a sustained rally similar to Normand's — of slowing viral spread, evidence that fiscal and monetary policy stimulus is working, and a bottoming in investor positioning and flows.

Gavekal Research's Anatole Kaletsky said in a note Monday that it's too early to buy equities, citing reasons including "surprisingly complacent" investor sentiment and historical data showing bear markets almost never end on a single massive sell-off without retesting the bottom.

Off the low

The MSCI All Country World Index tumbled some 34 per cent from its February record high to its recent low on March 23. As of early London trading Monday, it had recouped more than quarter of that loss.

Normand said his approach dovetails with the recommendations in the past week from bottom-up analysts at JPMorgan to add exposure in US and European credit, peripheral European sovereigns, and US and European inflation breakevens.

On the stocks side, things are somewhat more nuanced. JPMorgan's multi-asset portfolio has been overweight equities all year, though partially hedged with short positions in credit and long ones in the US dollar. "Thus, future adjustments would be in terms of magnitude and funding source rather than in overall tilt," Normand said. He added that the firm's global equity strategists "believe that the risk-reward for equities remains skewed to the downside."

Normand cautions that not all apparently cheap markets should be bought, as there is still a risk-reward spectrum. Developed-market bonds should be used to fund allocations to cheap credit and equities, but bond sell-offs should also be used as opportunities to buy duration as insurance against the next shock.

BLOOMBERG

Street pricing in worst for RIL

Higher telecom earnings can help amid fears of weak refining & petrochemical margins

UJJVAL JAUHARI
New Delhi, 30 March

Not long ago, Reliance Industries (RIL) was the most fancied stock among investors. It was the first Indian company to touch a market value of ₹10 trillion on November 28, 2019. But a chain of recent events, many of which impacted the broader markets as well, led to a sharp correction of 40 per cent in the stock from February highs.

Concerns on margins in its refining and petrochemical businesses, the potential impact of Covid-19 on retail sales, and a possible delay/call-off of its deal with Saudi Aramco and hence debt reduction are the key reasons for the fall. Analysts now say that the worst seems to be factored in, and the downside from here on appears limited.

In its core refining and petrochemical businesses, refining margins remain weak and the expected gains from the 2020 International Maritime Organization (IMO) Fuel Sulphur Regulations have not materialised because of the coronavirus spread, taking a toll on demand. Singapore complex gross refining margin (GRM) around $1.6 per barrel in Q4FY20 has slipped further, from $3.2 per barrel in the year-ago period and around $2 in the December 2019 quarter. Further, because of lower demand and higher supplies, polymer prices, which had bottomed out in December and were showing some recovery, are expected to see delayed gains.

The telecom/digital business, however, is among a few triggers that could support the stock. Analysts say near-term headwinds to RIL's earnings come from lower downstream (petrochemical) margins amid a worsening macro environment. However, it may be partly mitigated by a plausible hike in telecom tariffs at an opportune time. The fact that consumer businesses (telecom, retail, etc) are now seeing increased contribution (now about a third) to RIL's earnings provides comfort.

Analysts are of the view that the stock price nevertheless factors in most of the negatives. In fact, analysts at HSBC say that after a sharp fall in the share price, the market is discounting a 40 per cent decline in downstream refining and chemical Ebitda margins — the lowest in 10 years, and assigning a zero value for its E&P (exploration and production of oil and gas) and real estate assets, and predicting a 40 per cent decline in retail business valuations and also a peak net-debt of $43 billion (₹3.2 trillion), including part of liabilities associated with fibre InvIT. In simple words, the Street is pricing in an extreme downcase outcome across its businesses.

It is in this backdrop, most analysts feel that valuations offer a long-term opportunity for investors, and the downside may be limited from the current levels. Analysts at BNP Paribas say with China somewhat stabilising after the Covid-19 pandemic and a widespread prevention measures globally, refining and chemical margins may recover in the second half CY20.

Analysts, drawing a parallel between the current and the Global Financial Crisis of 2008-09, say oil & gas stocks are trading below the financial crisis levels in terms of valuations. To justify the current valuations, FY21 earnings should see up to 75 per cent cut, and the oil price should average at $25 a barrel. Not surprising, analysts at HSBC say pessimism leaves room for surprises, while BNP Paribas expects fast recovery for RIL once the scenario changes.

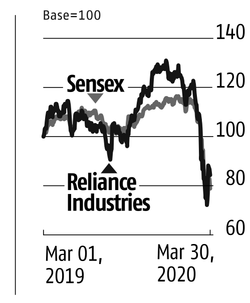
On debt reduction, while the Street is now expecting a delayed or no deal with Saudi Aramco amid weak oil prices, reports indicate that Facebook (FB) is in discussions with RIL to take a minority 10 per cent stake in the latter's digital business under Jio. Analysts at Kotak Institutional Equities say that FB's interest, if at all, may perhaps be driven to enhance the addressable opportunity in its largest market in terms of subscriber base. Jio's engagement levels with its own subscribers through the digital ecosystem may have an appeal. The deal, if happens, can help reduce debt.

Analysts, such as Abhijeet Bora at Sharekhan, say the stock factors in the recent market meltdown, lower refining and petrochem margin assumption, and a delay in potential re-rating given concerns over the likely deferment of RIL-Saudi Aramco deal. However, Bora adds that it also ignores the positive of improving growth prospects for the telecom business (potential ARPU hikes) and sustained high growth for the retail business.

FACTORING IN SIGNIFICANT DISCOUNT

In ₹ crore	Current price assumes...		Base case assumes...	
	FY21E	FY22E	FY21E	FY22E
GRM ($/barrel)	6.5	8.5	11.0	10.3
Petchem Ebitda/tonne (₹)	7,595	10,287	10,245	10,628
Jio ARPU (₹)	133	157	150	157
Retail revenue (₹ crore)	177,800	201,100	201,800	232,000

E: estimates, GRM: gross refining margin, ARPU: average revenue per user, Ebitda: earnings before interest, tax, depreciation and amortisation
Source: BNP Paribas



SBI and DSP MFs open small-cap funds to accept lump sum flows

JASH KRIPLANI
Mumbai, 30 March

SBI Mutual Fund (MF) and DSP MF opened their small-cap funds for accepting lump sum investments amid a sharp correction in valuations of small-cap stocks.

Lump sum investments are tactical investments, which an investor can make any time. This is in contrast to systematic investments, which are routed through systematic investment plans or SIPs on a monthly basis.

Starting Monday, SBI Small Cap Fund allowed lump-sum investments until it received net inflow of up to ₹1,000 crore from the date of opening the scheme for lump-sum subscriptions. SIPs were allowed in the scheme with certain caps. From April 1, DSP MF has decided to revoke the temporary suspension of lump-sum investments in units of DSP Small Cap Fund.

"Over the last two years, the S&P BSE Small Cap TRI (total return index) has fallen cumulatively 56 per cent. We currently have the ability to invest in great businesses at attractive valuations, thereby making the risk-reward proposition favourable at current valuations," said Vinit Sambre, head-equities at DSP MF.

Further, experts say that timing becomes important in the small-cap segment.

"We would like to take money when we find interest in the category to be very low," said Kalpen Parekh, resident at DSP MF.

It's not the time to take credit risks

RBI action has averted duration risk, but defaults could mar debt fund returns

SANJAY KUMAR SINGH

Retail investors nowadays regard volatility in their equity portfolio as a par for the course. However, turbulence of a similar magnitude in the fixed-income portfolio catches them off-guard. Many investors received a jolt last week when the average returns of several categories of debt funds, including those with a shorter duration which are purportedly safe, turned negative. However, strong action by the Reserve Bank of India (RBI) in its March 27 monetary policy helped debt funds retrieve lost ground.

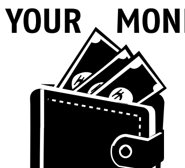
Bond prices had fallen and yields had shot up across the interest rate curve during the fortnight preceding the RBI action. The impact was more pronounced in bonds, with maturities ranging from three months to three years. The underlying cause was a sharp drop in liquidity. Experts attribute this to the massive withdrawal of funds by foreign institutional investors (FIIs). "FIIs have been pulling funds out of emerging markets, including India, and moving them into safer asset classes," says Arun Kumar, head of research, Fundsindia.com. They have pulled about ₹52,910 crore from the Indian debt market in March so far.

According to R Sivakumar, head (fixed income), Axis Mutual Fund said: "FII selling in the debt and equity markets was a primary factor behind the weakness of the rupee, and that, in turn, caused bond yields to go up." Factors like the year-end withdrawal of funds by corporates, dislocation caused by the Covid-19 crisis (with brokers operating from home), and mutual funds also selling to meet redemption pressure were other factors that caused yields to spike.

While the markets were expecting the central bank to intervene, the magnitude of the action came as a pleasant surprise. "The market was expecting a 50-basis-point (bps) rate cut, but it came in at 75 bps. The market was also not expecting a cut in the cash reserve ratio (CRR) or targeted long-term repo operations (TLRO), both of which also transpired," says Dwijendra Srivastava, chief investment officer (fixed income), Sundaram Mutual Fund. TLRO, in particular, is expected to ease pressure in the debt market. "Participants now know that the market has a backstop facility. Liquidity can be created by banks borrowing from the RBI window," adds Srivastava.

The RBI's actions have already caused yields to ease. For bonds up to one-year maturity, yields have dropped 100-250 bps, while for bonds of three-year maturity, they have fallen by about 150 bps.

YOUR MONEY



Category average debt fund returns have also moved back (largely) into positive territory (see table).

Even though the crisis in debt funds was short-lived because of RBI's prompt action, retail investors cannot afford to drop their guard. They need to be especially wary of taking credit risks. With operations of many companies coming to a virtual standstill, there could be a spike in downgrades and defaults in the near future. "So long as you are in funds with high credit quality, you will be fine," says Kumar. Stay away from credit risk funds.

The safe zone to invest in is funds with average duration of up to three years. Rajesh Cheruvu, chief investment officer, Validus Wealth suggests investing in categories such as short duration, corporate bond, and banking and PSU funds in a staggered manner, provided you have a three-year horizon. Avoid long-duration funds. "Heavy government borrowing could cause problems at the long end of the curve later on," says Srivastava. The rule to follow is that the average duration of the fund category you invest in should not exceed your investment horizon. If that happens, spike in yields of the sort seen last month could result in losses for you.

RETURNS TURNED POSITIVE AFTER RBI ACTION

Fund category	Returns on March 26 (%)			Returns on March 27 (%)		
	1-week	1-month	3-month	1-week	1-month	3-month
Liquid	-0.01	0.2	1.05	0.24	0.46	1.3
Ultrashort duration	-0.11	-0.47	-0.34	0.66	0.34	0.44
Low duration	-0.06	-2.7	-1.73	1.06	-1.5	-0.5
Money market	-0.17	-0.5	0.47	0.74	0.4	1.35
Short duration	0.08	-2.02	-0.19	1.68	0.01	1.73

Source: mutualfundindia.com

'Set-up favourable for long-term investors'

Despite a sharp correction, the markets have not dropped to valuation lows of the 2008-09 global financial crisis, says **VETRI SUBRAMANIAM**, group president and head of equity, UTI Asset Management Company. In an interview with **Samie Modak**, he says cheap valuations and easy monetary policy will set the tone for attractive long-term returns. Edited excerpts:

Q&A

VETRI SUBRAMANIAM
Group president and head of equity, UTI Asset Management

Will the stimulus packages being thrown around to contain the economic damage caused by the pandemic help?

The reverberations from the pandemic and its economic fallout are not fully calculable as yet. Fiscal policy will first be used to tackle the humanitarian crisis, health costs and loss of income. Then, further interventions may be required to address demand and supply-side issues and provide a stimulus to economic activity. The burden of lifting economies out of this challenging period will fall on fiscal policies.

Will rate cuts and bond buying programmes lead to a spike in equities like we saw in 2009?

A market, where valuations are cheap and fiscal policy and monetary policy are accommodative, is well set for a favourable outcome over the long term. That is my lesson from 2009 and the crises before that. But there is no model than can give us a timeline or speed forecast for how the markets will behave. As a caveat, also note that while equities have experienced a sharp valuation cut and are in the attractive zone, they have not dropped to the valuation lows witnessed during the global financial crisis in 2008-09.

What's your take on the measures announced by our government and the Reserve Bank of India (RBI)? What more is required?

The RBI has taken aggressive steps to address the growth challenge to the economy and ensure adequate liquidity within the system. The framework and timeline for debt forbearance may require further tweaks, including sector-specific policies. The government response in India has so far largely addressed humanitarian issues. More intervention may be required both in terms of social security, direct transfers and eventually further fiscal intervention to stimulate the economy. Households and firms are likely to exhibit a risk-averse behavior in the current environment. Under the circumstances, the Keynesian case for expansion of government spending and policy intervention is supportive. The fiscal deficit... is less of a constraint in this context.

As a fund manager, how are you navigating the volatility?

My lesson from the past is that one should not be reactive – it is your actions before the crisis and volatility that are most crucial. Our focus, as always, is on what is in our control – the investment process and disciplined review of our holdings and risk management.

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COMMODITIES

PRICE CARD

As on Mar 30	International		Domestic	
	Price	%Chg#	Price	%Chg#
METALS ($/tonne)				
Aluminium	1,506.0	-15.9	1,851.9	-5.7
Copper	4,774.0	-22.8	5,463.0	-15.9
Nickel	11,225.0	-21.1	11,838.6	-20.4
Lead	1,690.0	-12.5	1,825.4	-17.1
Tin	14,355.0	-15.4	14,682.5	-17.6
Zinc	1,848.5	-20.2	1,984.1	-23.1
Gold ($/ounce)	1,619.2*	6.9	1,797.9	6.2
Silver ($/ounce)	14.0*	-21.8	16.3	-19.2
ENERGY				
Crude Oil ($/bbl)	22.6*	-66.3	24.1	-64.5
Natural Gas ($/mmBtu)	1.6*	-27.3	1.7	-25.2
AGRI COMMODITIES ($/tonne)				
Wheat	198.4	2.6	245.4	-20.2
Maize	186.4*	-1.2	201.9	-29.7
Sugar	358.7*	-0.7	455.8	-6.6
Palm oil	605.0	-22.0	945.8	-21.6
Rubber	1,247.5*	-23.4	1,679.9	-8.6
Coffee Robusta	1,216.0*	-9.7	1,765.9	-5.3
Cotton	1,101.6	-28.2	1,233.3	-22.4

* As on Mar 30, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 75.6& 1 Ounce = 31.1032316 grams.

Notes

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

Source: Bloomberg Compiled by BS Research Bureau

Milk consumption down 25%

Rising home consumption can't compensate for lower buying by hotels and tea stalls

DILIP KUMAR JHA
Mumbai, 30 March

In a major setback to millions of farmers, India's milk consumption has declined 25 per cent over the last month because of the closure of hotels, restaurants, and roadside tea stalls amid a nationwide lockdown to prevent the spread of coronavirus.

The decline in consumption has resulted in a ₹5-7 per litre (or 25 per cent) decline in the realisation of dairy farmers. The milk market is flooded with surplus supply, with farmers at some areas selling in distress at a 50 per cent discount. Distress sales are happening in remote areas where private and co-operative dairies could not reach farmers for procurement because of disruption if transport services.

This scenario emerged after Covid-19 started spreading in major milk-producing states, such as Maharashtra, Gujarat, Karnataka, and Tamil Nadu.

While milk production is going on, the decline in consumption may dissuade farmers from making fresh investment in the upcoming season, as prices of milk derivatives like skimmed milk powder (SMP) have also crashed because of little exports amid the global pandemic.

"Milk consumption has declined 25 per cent over the past month because of the closure of hotels, restaurants, and roadside tea stalls. But, domestic consumption has increased. The closure of retail ice-cream parlours and other value-added products has contributed to the decline in milk consumption," said R S Sodhi, managing director, Gujarat Cooperative Milk Marketing Federation (GCMMF), India's largest dairy, which sells milk and its derivatives under 'Amul' brand.

On the other hand, household consumption of ghee, butter, and milk has increased as most people are home amid the ongoing countrywide lockdown. The increase in household consumption, however, is insufficient to compensate for the decline in overall milk usage. Household consumption contributes nearly 25-30 per cent of India's overall milk usage.

Interestingly, dairies have not increased prices of these milk derivatives despite a spurt in their consumption.

"We are selling our products at the maximum retail price (MRP)," said Devendra Shah, chairman and managing director, Parag Milk Foods, the producer of 'Go' and 'Govardhan' brands milk products.

Meanwhile, the decline in overall consumption has prompted farmers to sell milk in distress, especially in remote areas of Maharashtra, Karnataka, Tamil Nadu, and Gujarat. Some farmers are offering milk to processors and private dairies at half the prevailing price of ₹30-31 a litre.

According to Sodhi, large co-operative dairies are bound to pay farmers more because of their long term links with farmers. GCMMF pays ₹31 a litre for cow milk and ₹50 a litre for buffalo milk. Private and small co-operatives, by contrast, pay less in a supply glut situation.

"This is a temporary phenomenon – just a couple of weeks more. With the onset of summer, which is nearly a month away, milk supply will reduce and prices recover," said Shah.

Normally, when milk supply is higher than consumer demand, dairies usually produce SMP or milk powder. "But, SMP prices have crashed because of reduced opportunity for exports. Shipments are halted and no orders are coming in. Despite the inadequate quantity of SMP available in the market, it is not feasible to convert excess milk into SMP and store it for supply in the peak demand season. Many dairies are facing working capital problem because of lack of funding from banks," said Sodhi.

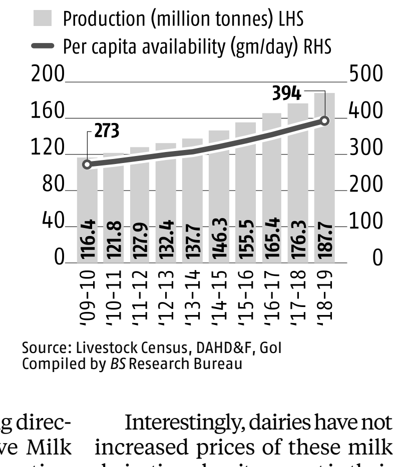
SMP prices in the domestic markets have declined to ₹230 a kg, from ₹310-320 a kg about a month ago. A similar trend is emerging in the international markets, where SMP prices slipped to $2,500 a tonne as against $3200 a tonne about a month ago.

Dairies, however, hope the decline in milk procurement prices will nullify squeeze in their profit margins, which was feared after lower sales of many products like curd, buttermilk, lassi, and ice creams.

TAKING A HIT

- Milk farmers' realisation plunges ₹5-7/litre
- Many farmers are selling in distress, at a 50% discount
- Working capital paucity hits production of milk powder by dairies
- Dairies say milk procurement prices will recover with the onset of summer in a month

SUPPLY GLUT



Source: Livestock Census, DAHD&F, GoI
Compiled by *BS* Research Bureau

NCDEX extends settlement date

RAJESH BHAYANI
Mumbai, 30 March

The Securities and Exchange Board of India (Sebi) has asked exchanges to review expiry dates of contracts of agricultural commodities given the operational disruption caused by the ongoing 21-day nationwide lockdown amid the coronavirus pandemic.

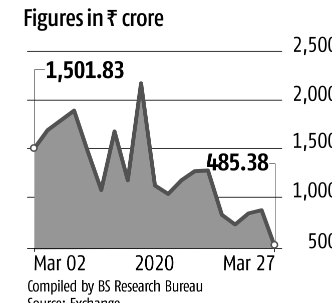
Following Sebi's instruction, the NCDEX — India's largest exchange for agricultural commodities — has extended expiry dates of all its agri contracts maturing on April 20 to April 30. "The exchange is continuously reviewing and taking decisions," an NCDEX spokesperson said.

The exchange's expiry for this month got over on March 20, days before the lockdown came into effect on March 21. Since the lockdown, the NCDEX's trade volumes have dropped 50 per cent. Falling prices of crude oil, guar gum and seeds contributed to this decline.

Experts had been asking Sebi merge April and May contracts because of disruptions in the farm-to-fork supply chain. Vijay Sardana, a noted agriculture expert, said: "There are wide-scale disruptions in agri marketplaces, warehouses, mandis, and transport. These are ground realities. To avoid any uncalled-for scenario in the derivatives market, Sebi must ask exchanges to either merge April expiry contracts of agri commodities with May month contracts, or extend expiry dates."

TURNOVER

Figures in ₹ crore



Compiled by BS Research Bureau
Source: Exchange

Jewellery exports may fall in Q1FY21

Gems and jewellery exports are expected to witness a sharp decline in March, as well as in the first quarter of the next financial year amid disruptions caused by the coronavirus pandemic, according to a report. An industry that is largely trade-oriented and attracts over 5,000 exhibitors and 100,000 buyers at various trade fairs has witnessed a continuous decline in exports in all of the 11 months of FY20, with February 2020 being a major disappointment, CARE Ratings said in a report.

A 41 per cent annual decline in cut and polished diamond exports led to a cumulative exports fall of 19 per cent year-on-year for the overall gems and jewellery industry in February 2020, it added.

PTI

Brands learn to mind the gap on the viral trail

Advertisers ask consumers to stay calm and keep their distance, find ways to keep the engagement going under a lockdown

TE NARASIMHAN
CHENNAI, 30 March

From Left: **Burger King India asks people to order in, Cinthol advocates social distancing, Dettol focuses on hand washing, Zomato talks of contactless delivery while Dunkin'Donuts asks people to stay apart and stay safe**

Caught in the grip of the global pandemic, brands are learning to tone down their pitch while finding ways to innovatively convey a message of optimism and safety in the midst of uncertainty. Stories of hope, 'causevertising' and in some cases, influencer-led requests are all being used to amplify the universal message of stay home, stay safe and break the viral chain.

While some brands began the communication journey around Coronavirus early, tying in humour, song-and-dance routines into the regular message of hand washing and social distancing, the narrative has completely shifted over the past week. The tone is sombre, the messaging direct and brands are universally asking consumers to eschew consumption for personal safety.

Consider the ecommerce companies, online food delivery apps and travel booking websites that have seen their businesses dive sharply over the course of the week. While the disruption has opened up numerous points of friction with their customers, everyone from Amazon, Flipkart, BigBasket, Zomato and the airlines and even sites such as Airbnb have opted to keep the communication direct and simple, explaining their inability to continue conducting business as usual.

Is this the best way forward? Sandeep Goyal, founder Mogae Media believes that there is no single right way to deal with the coronavirus inflicted shut down in the country, but silence is a good starting point. "In the current lockdown silence is golden. There is no 'new-news' that any brand has to communicate. So not putting out any advertising is actually the best option. Where brands do advertise, sensitivity to the context of the times is equally important. With the mood so sombre all around, you can't be showing celebrations. Also your communication needs to respect social distancing. And your creatives may not be in sync with that. So, if you really have to advertise, communicate safety, good health and well-being rather than a usual sales pitch," he said.

The hygiene brands have, of course, been the earliest to jump onto the safety and health bandwagon. They have also emerged as the biggest advertisers in the country, over the past week. According to BARC (Broadcast Audience Research Council) India, the data released for the first week of the lockdown "has predictably boosted brands in the same (hygiene) category." Dettol Liquid Soap topped the list (number of insertions) for television, replacing OLX.in and was followed by Dettol Toilet Soaps and Surf Excel Easy Wash at second and third spots, its data revealed.

Dettol, from Reckitt Benckiser, has also been active on social media. Its #HandWashChallenge on TikTok has hit the top of the charts in terms of views and shares. "Our initiatives around creating awareness campaigns on regular hand hygiene will help develop the habit of hand-washing," said Pankaj Duhan, chief marketing officer, RB Health South Asia.

In times such as these, brands are also eager to demonstrate their commitment to the cause of fighting the virus and RB has said that it plans to distribute 10 million units of Dettol Soap to the most vulnerable population in India and is also partnering with an NGO, Bikers for Good, for the initiative. Many brands are also turning to influencers to amplify the message. Actors, chefs, writers and stand-up comics have all been requisitioned for the cause.

Some brands have aligned with the civic authorities, wrapping their promotional narrative subtly around the larger issue of public health and safety. Godrej Consumer Products (GCPL) for its Protekt range of hand wash has extended its campaign (Protekt India Movement) into a joint initiative with the Brihanmumbai Municipal Corporation (BMC) and the Thane Municipal Corporation (TMC) to distribute a million packets of its Mr. Magic powder-to-liquid handwash, in Maharashtra. Nisaba Godrej, executive chairperson GCPL, said that in the coming days, the brand will be working with various government bodies and social institutions to create maximum impact.

Apart from the hygiene labels and ecommerce companies that are directly impacted by the huge change in lifestyles that the virus has enforced upon the world, other brands too are keeping the communication lines open. For instance, BMW has an ad that asks people to stay safe and indoors. The only curve that needs to be flattened, its ad says, is the coronavirus curve and people can do that by staying indoors.

'Viacom18 has paid salary in advance, won't retrench'

The ₹3,667-crore Viacom18 has had a great 2019. Its broadcast (Colors, MTV, Nickelodeon, etc), film (Padmavat Andhadhun, et al) and digital (Voot) businesses were in good shape till the corona crisis hit. As everything comes to a screeching halt, **SUDHANSHU VATS**, group CEO and managing director, talks to **Vanita Kohli-Khandekar** on the impact. Edited excerpts.

"AFTER COVID-19, THERE WILL BE SOME PRESSURE, ESPECIALLY AT THE HIGHER END OF INDIA. ONCE PEOPLE ARE USED TO DIGITAL VIEWING, THEY WILL QUESTION THE RELEVANCE OF THE CONVENTIONAL CORD"

Q&A

SUDHANSHU VATS
Group CEO & MD, Viacom18

How is Viacom18 tackling the corona crisis?

We started looking at it in the week starting March 9. We put together a small task force to look at it. It has seven members from strategy, IT, communications, commercial, production, HR and myself. We looked at various scenarios: What would happen if everything shut down, how we would operate, can we do it by rotating one-third of a team in a week? This was the first phase.

On March 16, 12 members of the leadership team met in office and we tried to figure out how to keep critical functions, which are the backbone of the broadcast operations, going. The big challenge was concurrency. We needed to give people concurrent and secure access. We tested it on the March 16 and could have 170 concurrent users, now it is up to 400.

We also put together work from home guidelines, which started on March 17. On March 23, the lockdown began. Out of a workforce of 1,600 we now have a total of only 15-20 people in offices spread across India. That is about 3-4 in each office for some critical functions. The production of TV shows stopped from March 18-19. We will have a bank till this week. Thereafter, we will go to repeat. And since it is budget time, we also did some scenario planning.

What scenarios?

The first, which we were originally working on, was the pre-Covid best case scenario. That is now out. The second is a base-case scenario. That is we take a year when business was bad and peg it to that. We took 2008-09 when the economy was hit in the wake of the global crisis following the Lehman Brothers collapse. It would mean a 20 per cent ad decline, 2-3 per cent decline in subscriptions, while digital will continue to grow. This assumes that we will be limping back to normalcy in June and be fully normal by July.

The third worst-case scenario assumes that it will be 6-9 months before things come back to normal. In that case, there could be a 50-60 per cent decline in advertising and a decline in subscription as well. That is a very hard scenario. We are still treating it as a base case.

What about jobs and salary?

We are not going to retrench anybody. We paid March salary on the 24th instead of the end of the month. And, even for the extended universe, we are ensuring that jobs won't be touched. At production houses that work on our shows, we have agreed that people getting below ₹30,000 a month in Mumbai and people below ₹20,000 a month outside of Mumbai won't see any cuts. This covers 1,500 people. For these people, 60 per cent of the cost will be borne by us and 40 by the production houses.

How do the scenarios differ for your film and TV businesses?

We get 10-15 per cent of our top line from films, depending on the films released that year. There are challenges there since projects have been stalled. Laal Singh Chaddha, the remake of Forrest Gump starring Aamir Khan, was to release on December 20. Some production has happened. If the clouds clear out and we can shoot some more, we could still make it. But both in film and our drama series, production work on writing and development continues.

Your assessment of the impact on the industry...

The broadcast scenarios we are planning are roughly same for the industry – it could be higher for the industry by maybe 25-30 per cent. Films will suffer, maybe by 30 per cent overall. Films will also suffer a little longer for psychological reasons. The multiplex and higher-end audiences are more fearful and conscious. Therefore, it will take time for them to come back to the theatres. That is not true for the single-screen and fan films, like the ones with a big star like Salman Khan. On the digital side, subscribers will rise, streaming video-on-demand will do better at high single-digits or maybe mid-teens. Digital advertising would see mid-single digit growth.

But hasn't there been pressure on subscriptions post the new tariff order (NTO)?

Post NTO, the industry has seen 20 per cent growth in subscription revenues, though absolute numbers have fallen. Post Covid-19, there will be some pressure especially at the higher end of India. Once people are used to seeing on digital, they will question the relevance of the conventional cord.

FROM PAGE 1

Govt's U-turn on 'limited community transmission'

The expert clarified that there was "no intermediate stage between local and community transmission".

Stage one of the pandemic is when cases are imported from affected countries and people with travel history test positive for the disease. In stage two, local transmission begins when the source can be traced. So, people who have come in contact with someone with travel history or any Covid-19 positive case also test positive.

In the third stage, called community transmission, the source of infection cannot be traced and, hence, it becomes difficult to isolate such cases. In the fourth stage, there are several clusters of the disease in a country and the spread becomes uncontrollable.

The health expert said while stage three was inevitable, it can be delayed. "How we control the spread of the disease in stage two and three, that is if we can plateau the spread, the fourth stage can be avoided," the expert said.

Last week, a tweet by Delhi Chief Minister Arvind Kejriwal about receiving a report from a panel of doctors who recommended measures to prepare for a potential stage three outbreak in Delhi had also hinted that the danger was still alive and not very far.

BRACING UP

The government said while keeping the number of cases low was priority, it was readying for serious case management. On Monday, it announced a slew of measures to help mitigate the crisis. Highlights:

- Orders for 2.1 mn personal protective equipment (PPE) coveralls have been placed with 11 manufacturers. They are expected to go up to 15,000 per day within a week
- 334,000 PPEs are available in hospitals across the country
- Foreign sources of PPE kits are being approached through the Ministry of External Affairs
- N95 masks are being manufactured by two domestic producers. Supply of 50,000 masks per day for now, capacities to double in the next week
- DRDO collaborating with local manufacturers to make 20,000 N99 masks per day; expected to become available in a week

Aggarwal said that of the cases that had come up till Monday evening (1,071), the number of cases where the authorities were doing contact tracing so as to identify where they got the infection from was very limited or miniscule, without specifying the exact numbers.

He cautioned against "going into the semantics" in context of the word "community" and, on a lighter vein, even said it would be dropped from future communication. His responses on other indicators of a wider spread of infections, i.e. the hotspots, were rather guarded. Hotspots are areas with more number of cases or limited cases but in a densely populated area.

"As part of that strategy we identify the containment zone as well as the buffer zone still around it and we form special teams, the district administration coordinates the efforts," he said.

Aggarwal cited some numbers trying to show how the spread of the disease has been arrested through a lockdown — while it took India12 days to reach from the 100th to the 1,000th case, the same number of days saw other, more developed and less populated countries, reporting anywhere between 3,500 and 9,000 cases. However, the relatively low number of cases can also be attributed to fewer tests in India.

Numbers aside, the massive exodus of migrant labourers to their native places last week also left the possibility of rapid transition alive.

Meanwhile, India is using this period to build treatment infrastructure on war footing. Experts have said that after the lockdown, India would need to engage in massive testing to ensure the spread is under control.

Market tumbles amid oil rout, virus spread

"Though measures like the RBI's interest payment deferrals are steps in the right direction, it will only ease things for a few months. But after three months, we will have companies with cash flow issue," Holland added.

Market players said investors were worried about the cascading effect of delays or defaults in their payments over the coming days. Many companies have started delaying payments as sales have come to a standstill. Hero MotoCorp, the largest two-wheeler manufacturer in the country, on Monday said it had halted full payment to vendors.

Many agencies have warned both domestic and global economic growth will halve in this fiscal. "As the situation is still evolving, quantifying the economic impact of Covid-19 is extremely challenging. Under our alternative scenarios, assuming disruptions would last until mid-May (optimistic scenario) or September (downside), India's FY21 real GDP growth could range between 4 per cent year-on-year (YoY) and -0.2 per cent YoY (negative GDP, the first time since FY1980)," said Gautam Chhaochharia, head of India research, UBS Securities. Last week, the International Monetary Fund had said the global economy had entered a recession that will be worse than in 2009.

Investors dumped banking and financial stocks with HDFC and Bajaj Finance dropping 11 per cent each. "The impact of Covid-19 has been severe on banking stocks, even the better run ones, due to their cyclical nature and high leverage. So far, we have very few data points to predict any impact on earnings, while the stock price reaction assumes a pretty severe impact," Investec said in a note.

Holland said there are fears that there could be problems in the recovery of retail loans.

The market breadth was negative on Monday, with total declining stocks at 1,351 and those advancing at 930 on the BSE. All the Sensex components, barring six, ended the session with losses. Over a third of the Sensex components fell 4 per cent or more. Tech Mahindra and Nestlé India were the best-performing stocks and rose 5 per cent and 4.5 per cent, respectively.

All the BSE sectoral indices barring two ended the sessions with losses.

BS SUDOKU # 3012

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SOLUTION TO #3011

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7	1	5	2	6	3	9	4	8
3	6	8	9	4	7	1	2	5
6	7	9	5	2	4	8	3	1
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Easy: ★★

Solution tomorrow

HOW TO PLAY

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

The politics behind migrants' journey home

The Centre and state governments bonded and then fell apart during the longest lockdown walk

SOMESH JHA
New Delhi, 30 March

Tired of walking miles after the lockdown was announced on March 24, hundreds of migrants had gathered at the Delhi-Uttar Pradesh border on Friday in the hope of getting back home by bus once the word had spread that the administration was arranging transport for them. Officials in the Prime Minister's Office (PMO) were still undecided on whether to give a green signal to a proposal to screen and transport workers to their domicile states while visuals of the migrants' long walk made international news.

The governments in Uttar Pradesh and Uttarakhand had started making arrangements to transport migrants from their states. In fact, Ila Giri, the assistant resident commissioner of the Uttarakhand government, moved fast to issue a notice even before the lockdown kicked in. The notice said the state government would make arrangements to pick up stranded workers from two bus stations in Delhi.

It's another matter that the Uttarakhand government could not ply the buses as planned— the Centre's lockdown order had put a ban on the movement of people within or outside the states, except if they were travelling for essential services or were under the exempt list. Frustrated migrants however were already on the road to Uttar Pradesh, hoping to cross the border on foot, leaving the remaining home-bound journey to luck.

"By Friday, around midnight, (UP) Chief Minister Yogi Adityanath decided to send buses to pick the migrants from the state. The bus drivers and conductors of the state government buses were called in and it was decided to start the service," UP CM's advisor Mrityunjay Kumar told Business Standard recalling the events of the past few days. He added that by then, the state had made arrangements to bring in 150,000 migrants by putting them under quarantine facilities in governments schools or colleges in villages. In the past three to four days, around 300,000 had reached UP, Kumar said.

By Saturday noon, when Adityanath's office said on Twitter that 1,000 buses had been arranged "to help migrant workers reach their destination without any hassle", buses had started arriving in various parts of UP, the word spread like wildfire in Delhi.

Within half an hour of the UP government's official announcement, Delhi deputy chief minister Manish Sisodia said that about 100 buses of the Delhi government were carrying people who were trying to leave Delhi. At the same time, Sisodia appealed to the migrants to follow the lockdown. Chief minister Arvind Kejriwal too made an appeal, requesting migrants to not return to their villages as the state had made arrangements for food, shelter and whatever else they needed. The Central government, which had imposed a lockdown, remained silent.

On the roads of the national Capital, a sense of understanding was visible among the authorities, as the Delhi Police helped migrants board buses PHOTO: PTI

On the roads of the national capital, a sense of understanding was visible between the authorities as the Delhi Police helped migrants board the buses. The Delhi Police, which comes under the Union Home Affairs Ministry, even prevented workers from walking on the highway while making them reach the Anand Vihar bus station, where the UP government buses were lined up.

"The Delhi government had been making appeals to the migrants not to move out. We didn't want to promote any kind of movement. We observed that people had started making a move from the state on March 26 and according to our estimates 60 per cent were from Haryana, Punjab and Rajasthan who were passing through Delhi," Delhi's Dialogue and Development Commission vice-chairman Jasmine Shah said.

He added that though these were manageable numbers, "the chaos" started with the UP government's announcement on Saturday. "No governments had made special arrangements till then. We had made all arrangement for workers living in Delhi."

But Kumar said the Delhi government had started moving buses from various industrial areas of the national capital towards the UP border on Friday, which led to huge crowds. The UP government was left with no option but to bring the migrants back, he added.

"The Delhi government buses were deployed only to disperse huge crowds within the city as it was counter-intuitive in tackling coronavirus. So, we did send buses to some locations in UP," Shah said.

By Saturday afternoon, around 50,000 people had gathered at the UP border to catch buses to their home destinations. This was a direct result of the UP government's decision, taking the central government into confidence, to ply the 1000 buses, Shah pointed out.

The Uttar Pradesh State Road Transport Corporation had sent a communiqué to all the district magistrates within the state to allow the entry of buses which have been deployed to pick people stuck across various points at border districts of Delhi. "The government has now taken a decision to allow these passengers en route to reach their destination...The special task of carrying people from Delhi border to various districts in UP will continue today and on March 29," UPSRTC managing director Raj Shekhar had said in a letter.

The UP government fell short of buses as the crowd swelled at the border and it had to dial up the Bharatiya Janata Party-led Haryana government for help. Some buses came from Faridabad and picked up people even on Sunday to take them to UP. By then, migrant workers from other states had also started moving in the hope of returning home. Soon, the exodus and the crowd breaching all lockdown norms sent out panic waves in the power corridor and the Central government intervened on Sunday.

Union Cabinet Secretary Rajiv Gauba and Home Secretary Ajay Bhalla held a video conference on Sunday morning with the top bureaucrats and police officers of Punjab, Haryana, Maharashtra, Gujarat and Delhi. "In the meeting, they expressed their alarm and unhappiness at the large-scale movement of migrant labour on the roads by foot followed by the accumulation of a large number of people especially at the Anand Vihar Bus Terminal. In order to disperse the crowds from this area, buses had to be provided in large numbers on March 27 and 28 evening," a communication sent by Haryana Director General of Police Manoj Yadav to officers within the state on Sunday stated.

The central government decided to immediately seal the borders and stop movement of people. It also ordered the state governments to offer relief measures for the migrants, instructing them to pick up workers travelling on foot on highways. The Centre was clear that the migrants must be returned to the localities from where they had started.

By Sunday night, the Central government had suspended two senior Delhi government officials – one in the transport department and another in finance, while issuing a showcause notice to a state official in the home and buildings departments and the sub-divisional magistrate of Seelampur (in-charge of Anand Vihar bus terminal area), indirectly putting all the blame on the Delhi government.

India reports 227 cases in a day, death toll at 32

BIGGEST SINGLE-DAY JUMP IN CASES; TOTAL AT 1,251

PRESS TRUST OF INDIA
New Delhi, 30 March

The number of Covid-19 cases climbed to 1,251 in India on Monday, registering the highest single-day increase of 227 cases, while the death toll rose to 32, the Union Health Ministry said.

It said the number of active cases was 1,117, and 101 people were either cured or discharged and one had migrated, the ministry stated. The 1,251 cases include 49 foreigners. In an updated data at 9.30 pm, it said three fresh deaths were reported on Monday.

While one death each was reported from Gujarat and Madhya Pradesh, the details of the third was not available on the chart. So far, Maharashtra has reported the most deaths (8), followed by Gujarat (6), Karnataka (3) Madhya Pradesh (3), Delhi (2) and Jammu and Kashmir (2).

Kerala, Tamil Nadu, Bihar, West Bengal, Punjab and Himachal Pradesh have reported a death each.

The highest number of confirmed Covid-19 cases was reported from Kerala with 202 infections, followed by Maharashtra at 198. The number of cases in Delhi has gone up to 97.

The cases in Karnataka have gone up to 83 till now, it has increased to 82 in Uttar Pradesh . The number of cases has risen to 71 in Telangana, 69 in Gujarat, 67 in Tamil Nadu while the number of cases in Rajasthan has climbed to 59. It has risen to 48 in Jammu & Kashmir.

Madhya Pradesh has 47 positive patients. Punjab has reported 38 cases, while 36 Covid-19 cases have been detected in Haryana. There are 23 cases of Covid-19 in Andhra Pradesh, West Bengal (22), Bihar (15) and Ladakh (13).

Nine cases have been reported from the Andaman and Nicobar Islands.

Chandigarh has eight cases, while Chhattisgarh and Uttarakhand have reported seven cases. Goa has reported five coronavirus cases, while Himachal Pradesh and Odisha have reported three cases each. Puducherry, Mizoram and Manipur have reported a case each.

"Remaining 46 cases are being assigned to states to initiate contact tracing," the ministry stated.

Global coronavirus deaths cross 35K; most in Europe

PHOTO: PTI

More than 35,000 people have died worldwide from the coronavirus pandemic since it emerged late last year in China, most of them in Europe, according to an AFP tally at 1615 GMT Monday using official figures.

In total, 35,905 people have died, including 26,076 in Europe. Italy has the most deaths with 11,591, following by Spain with 7,340 and China with 3,304.

More than 740,00 cases have been officially detected in 183 countries and territories, including at least 408,203 in Europe, almost 150,000 in the United States and Canada with 2,635 deaths and 106,609 cases in Asia with 3,827 deaths.

Detected cases likely reflect only a fraction of the real number of infections as many countries are only testing the most serious cases. AFP/PTI

ADMINISTRATIVE APATHY: DISINFECTANT SPRAYED ON MIGRANTS

A group of migrants, heading home after the lockdown over coronavirus, was hosed down with a chlorine solution in Bareilly, triggering criticism and then an admission from the local authorities that they went too far. A state government official, however, argued that such spraying on people is permitted internationally. But the authorities did not follow the right procedure, he said. A fire brigade official said the migrants were sprayed with a solution containing sodium hypochlorite. Chief Fire Officer C M Sharma said spraying sodium hypochlorite on the group was necessary for "disinfecting" them PHOTO: PTI

93 migrants held for defying orders, cops fire teargas shells

At least 93 migrant labourers have been arrested in Gujarat's Surat city for allegedly defying the nationwide lockdown and attacking police, an official said on Monday.

Situation became tense in Ganesh Nagar and Tirupati Nagar localities late Sunday night after nearly 500 migrant workers residing there came on roads, demanding transportation facility to reach their native places, Deputy Commissioner of Police Vidhi Chaudhari said.

A number of people hailing from Uttar Pradesh and Bihar live in Surat's Pandesara area, where both the localities are situated, and work in powerlooms and textile processing units here, another police official said.

"When the police were trying to convince them to remain indoors, they started pelting stones at the security personnel. Several police vehicles were damaged in the stone pelting," Chaudhari said.

The police fired 30 teargas shells to disperse the crowd, said Chaudhari, whose official car was also damaged in the incident. PTI

PHOTO: PTI

People who showed coronavirus symptoms being sent for quarantine, from Nizamuddin in New Delhi, on Monday

6 Telangana deaths linked to prayer meet in Nizamuddin

SHUBHOMOY SIKDAR & B DASARATH REDDY
New Delhi/Hyderabad, 30 March

Hours after the government assured the country has not entered the community transmission stage of Covid-19 yet, alarming news came from Telangana on Monday. The state government late in the day admitted that six persons, who attended a religious prayer meeting from March 13 to March 15 at Markaz in Delhi's West Nizamuddin, have died at different hospitals in the state.

Police and paramilitary personnel have cordoned off the area near Markaz and evacuated hundreds of people suspected to have contracted coronavirus. They are being kept at the nearby JLN Stadium, which has now been turned into a quarantine facility. Delhi Chief Minister Arvind Kejriwal has ordered the registration of an FIR against a maulana for leading the Tablighi-e-Jamaat congregation. The UP Police, too, have ordered identification and isolation of people from the state who had attended the prayer meeting.

According to media reports, the death of 65-year-old man in Srinagar was, too, linked to this event. Also, six persons tested positive in the Andaman and Nicobar Islands and one in Andhra Pradesh's Guntur had attended the congregation.

"Coronavirus has spread among some of those who attended a religious prayer meeting from March 13 to March 15 at Markaz in Nizamuddin area in Delhi. Among those who attended were people from Telangana. Of them, six died — two at Gandhi Hospital, one each at Apollo and Global Hospitals, and two at Nizamabad and Gadwal," the state government stated. The government earlier in the day had reported one death and six new cases.

Special teams have identified people who came in contact with the deceased and are being shifted to hospitals, according to the Telangana government statement.

According to a PTI report, over 2,000 delegates, including many from Indonesia and Malaysia, attended the congregation held between March 1 and March 15, officials said.

It is feared that many of those infected during the religious event caused the transmission of the virus in different parts of the country. The Union home and health ministries ducked specific questions during a press conference, saying that standard protocols were being followed in the matter.

The Delhi Police said the organisers were told not to organise the event in light of the pandemic, but they proceeded with the event.

G20 ministers agree to keep markets open

Trade ministers from the Group of 20 major economies agreed on Monday to keep their markets open and ensure the continued flow of vital medical supplies, equipment and other essential goods as the world battles the deadly coronavirus pandemic.

G20 leaders pledged last week to inject over $5 trillion into the global economy to limit job and income losses caused by border closures and sweeping shutdowns aimed at halting the spread of the disease.

In a joint statement issued after a video conference, the ministers pledged to take "immediate necessary measures" to facilitate trade in essential goods and incentivize additional production of equipment and drugs.

They said they agreed that all emergency measures should be "targeted, proportionate, transparent, and temporary," consistent with the rules of the World Trade Organization (WTO) and not creating "unnecessary barriers" to trade. REUTERS

New India Assurance to provide ₹50-L insurance to 2 mn health care workers

SUBRATA PANDA
Mumbai, 30 March

The central government has selected New India Assurance, the country's largest public sector non-life insurer, to provide insurance coverage to more than 2 million health care professionals taking care of the patients diagnosed with the deadly Covid-19.

Finance Minister Nirmala Sitharaman, last week, announced that under the Pradhan Mantri Garib Kalyan Yojana, all health care professionals — safai karmacharis, ward boys, ASHA workers, paramedics technicians, doctors, and specialists — would be covered by a special insurance scheme. "Any health care professional, who while treating Covid-19 patients, meets with an accident, he/she would be compensated with an amount of ₹50 lakh under the scheme," Sitharaman had said.

The special insurance scheme would be a group personal accident policy, which includes accidental loss of life on account of contracting the deadly virus. "The tailor-made policy will provide comprehensive personal accident cover, including accidental loss of life on account of contracting Covid-19 pandemic disease," New India Assurance said to the Ministry of Health and Family Welfare. It said the premium process had been initiated.

The tenure of the policy will be for a period of 90 days starting from March 30 and the sum assured is ₹50 lakh. If a health care professional unfortunately dies after contracting the disease, then he/she will be paid an amount of ₹50 lakh under the scheme.

The premium for the insurance scheme will be paid by the government and will be in the range of ₹500-600, said a person aware of the development. None of the private sector general insurers has been communicated anything about the scheme. "There will be no reinsurance support for New India Assurance as the event itself may not arise as even in worst of scenarios. There would not be a large number of casualties of health care professionals," said the source.

This will be over and above any other insurance scheme being availed of by the health professional. Under the scheme, all government health centers, wellness centers, and hospitals would be covered.

FinMin asks banks to ensure adequate cash

With salary day drawing near, the finance ministry has asked public sector banks to ensure enough cash to meet the heightened demand across the country amid the 21-day lockdown.

It has also asked banks to ensure opening of as many branches as possible. PTI

Banks in West Bengal to function normally

The State Level Bankers' Committee in West Bengal decided that banks will function from 10 am to 4 pm, withdrawing its earlier advisory of limiting the transaction hours till 2 pm, an official said. All the branches will now function in all the working days. PTI

Procurement norms for select ministries eased

The government has relaxed mandatory public procurement norms for 5 departments, ministries, including health and textiles, till April for buying products that are key to deal with Covid-19. The govt also allowed them to decide on items which could be classified as "essential supplies". PTI

Railways plans to set aside 20,000 coaches

The Railway Board has told its zones that they might be required to convert up to 20,000 coaches into isolation wards as part of their preparedness to fight the Covid-19 outbreak. In a letter to all the zonal general managers on Monday, the board said that initially 5,000 coaches will be converted. PTI

PHOTO: REUTERS

Tokyo Olympics in Jul-Aug 2021

The postponed Olympic Games will now begin on July 23 next year and run until August 8, the head of the Tokyo 2020 organising committee said on Monday, as the coronavirus pandemic made it impossible to plan and prepare for them properly this year.

The Games were postponed last week — the first such delay in the 124-year history of the modern Olympics. The move was a huge blow for Japan, which invested $13 billion in the run-up to the event and raised $3 billion from domestic sponsors.

Yoshiro Mori, the head of the Tokyo 2020 organising committee, confirmed the new dates after he made the decision with the International Olympic Committee. Mori said the Paralympic Games would run from August 24-September 5. REUTERS