


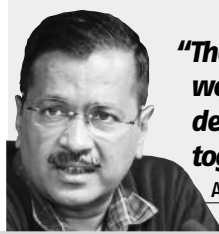
“There is no need to panic (because of the deadly coronavirus outbreak). We need to work together, take small yet important measures to ensure self-protection”

NARENDRA MODI
Prime Minister



“Dear @PMOIndia, Quit wasting India's time playing the clown with your social media accounts, when India is facing an emergency. Focus the attention of every Indian on taking on coronavirus challenge”

RAHUL GANDHI
Congress leader



“The Centre and the Delhi government will work together to prevent the outbreak of this deadly disease (COVID-19). We have to work together so that it can be prevented”

ARVIND KEJRIWAL
Delhi chief minister

AT A GLANCE



Tourists at Taj Mahal on Tuesday

PHOTO: PTI

IN BRIEF

Death toll above 3,000: Xi seeks global cooperation to find cure

With the coronavirus outbreak emerging as a global menace claiming over 3,000 lives in China and abroad, Chinese President Xi Jinping has called for international cooperation to develop a cure and vaccine to halt the COVID-19 on its tracks. The death toll in China on Tuesday climbed to 2,943 with 31 more deaths, even as the deadly disease wreaked havoc globally with the total number of deaths crossing 3,000 and infections surging past 89,000.

PTI

Digit Insurance comes up with cover for virus

Bengaluru-based Digit Insurance has come up with a product that will insure a person against the deadly coronavirus. The maximum coverage that the product assures is to the tune of ₹2 lakh. However, one can choose from multiple sum insured options starting from ₹25,000 which goes up to ₹2 lakh.

BS REPORTER

Twitter asks 5,000 global employees to work from home Twitter Inc is “strongly encouraging” its almost 5,000 global employees to work from home due to concerns over the spread of the coronavirus, the company said on Monday. The social media company made the suggestion as part of a blog update one day after it suspended all non-critical travel for workers, including pulling out of the South by Southwest conference scheduled for later this month in Austin, Texas.

BLOOMBERG

Foxconn: China factories operating at 50% capacity

Taiwanese tech giant and iPhone assembler Foxconn said on Tuesday its Chinese factories were operating at 50 per cent of seasonal capacity and are expecting to take a hit for the current quarter due to the outbreak. Known by its official name Hon Hai Precision Industry, Foxconn is the world's biggest contract electronics manufacturer and makes Apple's iPhones as well as gadgets for other global brands.

AFP/PTI

\$13 to fly in China as airlines offer ‘cabbage prices’

Chinese airlines are offering tickets at what are known colloquially as cabbage prices as they start restoring seat capacity following capacity. A one-way direct trip from Shanghai to Chengdu on Juneyao Airlines on Saturday costs just 90 yuan (\$13) plus 50 yuan in taxes. That's a three-and-a-half hour journey, about the same as a flight from New York to New Orleans.

BLOOMBERG

Rupee closes above 73, experts see more pain

ANUP ROY

Mumbai, 3 March

The rupee fell again on Tuesday, crossing 73 level to close at 73.30 a dollar level, as coronavirus positive cases increased to six in India.

The Reserve Bank of India (RBI) did not intervene in the market, even as the offshore markets showed rupee to be weaker by 10-11 paise against the dollar till the market close in India.

However, after a 50 basis points rate cut by the US Fed, the offshore rates fell to 72.92 a dollar. At 8.50 pm IST, the rupee was trading at 73.09-10 a dollar in the offshore markets. For most part of the day, the rupee was at 73.40 level in the offshore markets.

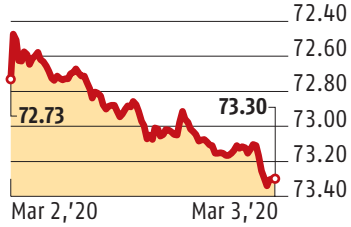
“Ideally, the rupee should open a little stronger against the dollar. After the Fed rate cut the yuan has strengthened, gold spiked, equities rose, and the rupee-dollar offshore rates have fallen,” said Abhishek Goenka, managing director at IFA Global.

The partially convertible currency had closed at 72.73 a dollar on Monday. On Monday also, rupee slid rapidly as equities fell on confirmed coronavirus cases in India. However, on Tuesday, the equities gained, but rupee loss continued.

According to a senior currency trader, the arbitrage opportunity offered between the offshore and onshore markets was too attractive for speculators, who pulled the spot rupee down onshore. “It looks like rupee will

THE FALL

Rupee vs dollar (inverted scale)



Source: Bloomberg; compiled by BS Research Bureau

continue to remain volatile in this month. If the virus is contained in India, the equity flow will be strong, but if the threat perception is as high as other countries, then rupee should depreciate steadily,” said a senior cur-

rency dealer with a foreign bank.

Technical chartists pointed out that the rupee has breached the seven-month long range of 70.70-72.46. Whenever such range gets broken, the rupee depreciates by ₹1.5 to ₹2.5 against the dollar. “All the factors that we typically associate with a panic move in USDINR are evident at this point. One month offshore forward points are much higher than onshore indicating desperation to exit rupee assets. The volatility curve has inverted. Risk reversals have spiked. We are seeing correlations that have held well in recent times breakdown,” Goenka of IFA Global had said before the Fed rate cut.

The immediate next level could be easily 73.5-74 a dollar, according to Ritesh Bhansali, vice-president,

Mecklai Financials. The Fed rate cut could give some temporary respite though.

“Indian economy is run by financial and services industries; both can be hit badly by the coronavirus scare. And if the virus spreads here, the effect could be serious. Rupee, no doubt, will remain under pressure in the coming days,” Bhansali said.

Amidst the crisis, however, the RBI assured the markets that it was closely following the situation and will step in if needed. The G7 finance and central bank chiefs issued a statement assuring that they would use appropriate tools to achieve strong sustainable growth and to safeguard against slowdown. They will also co-operate timely and effective measures to counter a slowdown.

Centre restricts exports of 13 APIs, formulations

Exporters would need NOC for continuing trade



PHOTO: PTI

Security personnel wear protective masks in the wake of the outbreak, at the Gandhi Medical College & Hospital in Hyderabad on Tuesday

SOHINI DAS

Mumbai, 3 March

In the wake of the coronavirus (Covid-19) outbreak and supply disruptions from China, India on Tuesday “restricted” exports of 13 active pharmaceutical ingredients (APIs) and their formulations to ensure there was no shortage of key drugs.

The Directorate General of Foreign Trade (DGFT) said in a notification issued on Tuesday that exports of 13 APIs — including paracetamol, tinidazole (antibiotic), metronidazole (antibiotic), vitamin B1, vitamin B6, vitamin B12, acyclovir (anti-viral), progesterone (hormone) — along with formulations made from these APIs, would be restricted.

A senior government official said this was not an export ban.

“Exporters of these items would now have to take government approval before they can export. This will help to ensure that key drugs and their raw materials are not exported in large quantities from the country and there is no shortage here,” he said. This is a temporary measure, he added.

“Supplies have started coming from China, but factories in Hubei province are still not functioning normally. Therefore, as a precautionary measure, the government has taken this step. We will lift the restrictions as soon the situa-

tion normalises,” the official said.

The managing director of a Mumbai-based mid-sized firm, which exports to the US, said the move would practically stall exports of these APIs and formulations.

“The DGFT notification refers to Schedule 2 of the ITC (HS) Export Policy, 2018, which deals with restricted items. To secure the necessary no objection certificate from the relevant departments would involve a four-stage process that takes at least 30-45 days to complete,” he said. In such a situation, exports would nearly come to a standstill for a month or so.

Sudarshan Jain, secretary general of the Indian Pharmaceutical Alliance (IPA), said they were waiting for the finer details on how the restrictions would be imposed.

The department of pharmaceuticals (DoP) had formed a panel to examine the situation, and it had recommended restrictions be imposed on exports of 12 APIs. Industry claimed that there was enough stock of raw material in the country to take care of immediate needs. A Vaidheesh, managing director of GSK India, said the government was cautious given the uncertainty about supplies and the decision would help if there was a big outbreak here.

According to Pharmaceuticals Export Promotion Council (Pharmexil) estimates, India is set to beat financial year 2018-19's (FY19's) export figures this year.

Intel employee quarantined

The Karnataka government is on alert and has started isolating people who came in direct contact with the software engineer who travelled from Bengaluru to Hyderabad in February and was later tested positive for coronavirus in Telangana. An Intel employee, who was the patient's roommate, has been quarantined.

“An Intel employee in Bengaluru has potentially been exposed and is currently under quarantine in accordance with government requirements. We're monitoring the situation closely,” said the company in a statement. In India, the firm said it had implemented precautionary measures such as travel and event restrictions, increased frequency of office sanitisation, and work-from-home provisions.

The Karnataka health department, which held an emergency meeting on Tuesday, is reaching out to those who came in primary contact with the patient. “They will be isolated in their homes for 14 days,” said an officer. It has so far identified 50 people who came in touch with the patient.

SAMREEN AHMAD

Between April and December, pharma exports clocked an 11.5 per cent growth over the corresponding period the previous year, and the December quarter was particularly buoyant (clocking a 14.6 per cent growth). Total exports were likely to touch \$22 billion in FY20, beating FY19's \$19.13 billion. Exports account for about half the Indian pharma industry, estimated to be worth \$39-40 billion.

Pharmexil has requested relaxation in restrictions. It said if restrictions are imposed with immediate effect it could result in financial losses for exporters. Pharmexil said failure to meet commitments could result in cancellation of entire orders or huge penalties.

Pharmexil has requested DGFT to allow free export of drugs manufactured before the notification and those lying at ports. It also requested DGFT consider the feasibility to exempt drugs manufactured for exports to be exempted.

BLOOMBERG

Washington, 3 March

Federal Reserve Chairman Jerome Powell said the coronavirus outbreak had increased risks to the US outlook causing the central bank to deliver an emergency half-percentage point interest rate cut to protect the country's record economic expansion.

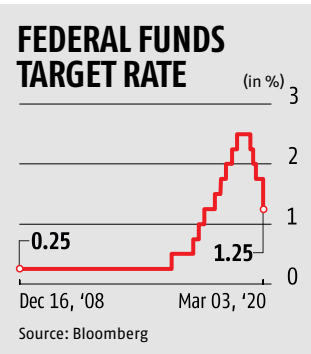
“My colleagues and I took this action to help the US economy keep strong in the face of new risks to the economic outlook,” he told a hastily convened press conference in Washington on Tuesday. “The spread of the coronavirus has brought new challenges and risks.”

US stocks initially advanced after the announcement before sliding into losses, while the 10-year treasury yield neared 1 per cent. Fed funds futures are pricing more than a percentage point of central bank rate reductions for 2020, including another quarter-point cut in the first half of the year.

The central bank said it was “closely monitoring developments and their implications for the economic outlook and will use its tools and act as appropriate to support the economy.”

Powell, in response about the scope for further moves, said “we do like our current policy stance,” before repeating the Fed's reference to taking action if needed.

The Fed's decision could presage a wave of easing from other central banks around the world although those in the euro area and Japan have less scope to follow with rates already in negative territory. It came hours after Powell and finance chiefs from the Group of Seven nations said they would “use all appropriate policy tools to achieve strong, sustainable growth and safeguard against downside



Source: Bloomberg

risks.” The vote for the emergency cut to a range of 1 per cent to 1.25 per cent was unanimous. The Fed also said in the statement that the “fundamentals of the US economy remain strong.”

The decision came amid public pressure for a cut by President Donald Trump, whose stewardship of the economy is central to his reelection campaign this year. Following today's shift he called for more, demanding in a tweet that the Fed “must further ease and, most importantly, come into line with other countries/competitors. We are not playing on a level field. Not fair to USA.”

US central bankers were scheduled to gather March 17-18 in Washington. Tuesday's decision was the first time it had cut by more than 25 basis points since 2008.

The reduction marks a stark shift for Powell and his colleagues. They had last projected no change in rates during 2020, remaining on the sidelines during the election year, after lowering their benchmark three times in 2019 to a range of 1.5 per cent to 1.75 per cent.

The European Central Bank (ECB) will respond to the Federal Reserve's “decisive” interest rate cut with easing of its own, according to Commerzbank AG.

Govt plans to set up ₹600-cr fund for DSA

SOHINI DAS

Mumbai, 3 March

The Union government is planning to create a ₹600-crore fund to set up the proposed drug security authority (DSA), which would monitor the growth of the indigenous bulk drug ecosystem through a cess on raw material imports.

A high-level committee headed by Eswara Reddy, joint drug controller general, was formed after the novel coronavirus (Covid-19) outbreak in China to study the situation in India and make recommendations on how to improve preparedness. The panel submitted its report to the government recently.

An official who was part of the committee said that India imports bulk drugs, intermediates and key starting material (KSM) worth ₹30,000 crore in a year. “If a cess of one per cent is levied on the imports, it would create a fund of ₹300 crore or so. The government, too, will invest a few hundred crores and the aim is to have a fund of around ₹600-700 crore that would be used by the DSA to

build the necessary infrastructure and provide incentives to local industry,” he said. The DSA would be under the department of pharmaceuticals.

At the moment, the government is not considering imposing an anti-dumping duty on imports from China as India is not prepared to make the necessary raw materials to meet the domestic requirement. “An anti-dumping duty at this time would only make the raw

materials very expensive and hit the local industry,” a government official said. The DSA would use the funds to scout technology or support research to find technology that would enable the local manufacturers to make the bulk drugs and other raw material at lower cost.

Moreover, the authority would incentivise projects that have a certain scale of production because economies of scale would enable low-cost manufacturing. If needed, a number of manufacturers can come together to start a project. There would be a minimum cut-off project size (output capacity) depending on the product to avail incentives.

G7 to use ‘all appropriate tools’ to limit harm

Group of Seven finance chiefs said they're ready to act to shelter their economies from the spreading coronavirus, though they stopped short of spelling out what measures they would put into place.

“We reaffirm our commitment to use all appropriate policy tools to achieve strong,

sustainable growth and safeguard against downside risks,” the G7's finance ministers and central bankers said Tuesday in a statement following a rare conference call. They said they are “closely monitoring” the virus and its impact on economies and markets.

The statement came shortly before the US Federal Reserve delivered an emergency half-percentage point interest rate cut to protect the economy from the global outbreak.

US Treasury Secretary Steven Mnuchin told a congressional committee that

the Trump administration isn't considering a rollback of tariffs on China as part of efforts to counter economic fallout from the virus. He said the administration isn't pursuing a payroll tax cut, even though Trump on Monday called on Democrats to pass such a measure.

BLOOMBERG

AI cuts flights; IndiGo's crew under home observation

ANEESH PHADNIS

Mumbai, 3 March

Air India has cut flights to Italy, Japan and Korea while IndiGo has placed four of its crew members under home observation to check the spread of coronavirus.

The civil aviation regulator has issued instructions to disinfect aircraft and come up with safety precautions to prevent spread of the virus. The national carrier's decision to reduce frequencies comes as the government suspended visas of citizens of the three countries. Earlier, the government had issued an advisory to citizens to avoid non-essential travel to these countries. It expanded health screening at airports to cover passengers arriving from 12 countries.

The restrictions have resulted in a sharp drop in loads as customers are



PHOTO: PTI

A woman has her temperature checked and her hands disinfected as she enters the Palladium Shopping Center, in Iran on Tuesday

postponing or canceling their travel. Frequencies to Tokyo have been reduced from five to four per week

and those to Milan, Seoul and Rome were cut to two per week from three or four flights.

Similarly, Air India is planning to operate a smaller Airbus A320 type aircraft to Saudi Arabia instead of the Boeing 747 and Boeing 777 due to suspension of pilgrimages to Mecca and Medina.

The Directorate General of Civil Aviation (DGCA) ordered that all aircraft arriving from Korea, Italy and Japan be disinfected upon arrival in India. Boarding of passengers on return flights will commence only after health screening on arrival, it said. The DGCA has also asked all the ground staff, cabin crew members, immigration and security staff to use personal protective equipment such as surgical masks, gloves and disposable shoe covers. “Adequate hand sanitising facilities should be made available at multiple locations for use by staff and passengers,” it said.

Meanwhile, IndiGo has placed four flight attendants under home observation as they may have come in contact with a Telangana resident who tested positive for coronavirus.

The resident was on an IndiGo flight from Dubai to Bengaluru on February 20. “Under guidance of the Airport Health Organisation (APHO), all four cabin crew members who operated this flight (6E 96), have been placed under home observation immediately. We are following all the prescribed APHO guidelines and taking preventive measures for our crew operating flights to regions affected by coronavirus,” IndiGo said.

Air India, too, has asked the crew of its February 25 Vienna-Delhi flight to remain in isolation for 14 days at their homes. This comes after a passenger from Delhi tested positive for the virus.

“My colleagues and I took this action to help the US economy keep strong in the face of new risks to the economic outlook. The spread of the coronavirus has brought new challenges and risks”

JEROME POWELL,
Federal Reserve chairman

PHOTO: AP

“The Federal Reserve is cutting but must further ease and, most importantly, come into line with other countries/competitors. We are not playing on a level field. Not fair to USA. It is finally time for the Federal Reserve to LEAD. More easing and cutting!”

DONALD TRUMP,
US President

PHOTO: AP