

17 ECONOMY

GOLD	RUPEE	OIL	SILVER
₹42,958	₹73.19	\$50.94	₹46,213

SENSEX: 38,623.70 ▲ 479.68 NIFTY: 11,303.30 ▲ 170.55 NIKKEI: 21,082.73 ▼ 261.35 HANG SENG: 26,284.82 ▼ 6.86 FTSE: 6,799.22 ▲ 144.33 DAX: 12,169.53 ▲ 311.66

*International market data till 1900 IST

SECTOR WATCH PHARMACEUTICAL

Amid rising COVID-19 cases, panel formed to boost production of key drug ingredients

PRABHA RAGHAVAN
NEW DELHI, MARCH 3

THE GOVERNMENT has decided to set up a 10-member technical committee to revive India's lost capacity to make certain crucial drug ingredients, *The Indian Express* has learnt. The development holds significance as it comes in the backdrop of a steady escalation of COVID-19 cases here as well as a continued shutdown of operations in a major Chinese province that exports these key ingredients to the country.

The development comes over a month after the Department of Pharmaceuticals (DoP) formed an expert committee to monitor the potential impact of the novel coronavirus outbreak in China on its supply of active pharmaceutical ingredients (APIs) to India. The committee, chaired by CDSCO Joint Drug Controller Eswara Reddy, had recommended the formation of this technical committee, which is expected to suggest ways to revive India's API segment, especially its fermentation-based APIs, said industry sources. APIs are the key ingredients that give a drug its therapeutic effect.

One of the duties of the new technical committee is to look into the cost of setting up fresh API manufacturing capacities — greenfield projects — to wean India off its dependency on imports for these products, according to one of the sources.

The new committee will also examine the latest "viable" technologies to make these products, "including backward integration", said the source.

It will also examine a proposal to restart manufacturing of some of these APIs by government undertaking Hindustan Antibiotics Limited (HAL), according to another source. Apart from this, it will also look into other existing facilities along with their capacities to make these ingredients.

Around 58 such ingredients had been identified by the committee set up last month, including amoxicillin, vitamin C, neomycin, acyclovir and tetracycline. Exports of some of these ingredients, imported from China's Hubei province that is currently under lockdown, have been restricted by the Directorate General of Foreign Trade (DGFT).

HAL previously operated a capacity to manufacture a fermentation-based antibiotic called gentamicin in the 1980s, which later closed, according to a vision document by industry body Indian Drug Manufacturers' Association (IDMA).

The *Indian Express* first reported on February 21 that the government is planning

The present stock of active pharmaceutical ingredients (API) "may be sufficient" for 2-3 months to make formulations, the Department of Pharmaceuticals (DoP) has said

to revive old drug manufacturing units that produced key ingredients for crucial medicines in the past, but are now being imported from China.

DoP has constituted the new technical committee because it was receiving varied estimates from industry members of how much more expensive it was to make these APIs in India as compared to China.

Between the 1960s and 1980s, India had set up 7-8 manufacturing plants to make as many as 20 crucial fermentation-based ingredients, including penicillin G, erythromycin, citric acid and vitamin B12. However, in the last three decades, these manufacturing plants were shut down due to "cheaper" alternatives from China.

Industry officials had earlier said that this was because Chinese API manufacturers managed to scale up production with government support like cheaper land during that time. Their products became 20-25 per cent cheaper than domestic firms, making Indian API manufacturers less competitive.

"Even with import duties, their products were cheaper, so our formulators began picking them over Indian manufacturers," one of the officials cited above had said. India relies on China for nearly 70 per cent of its total API imports, leaving the country in a vulnerable state during the current outbreak of the deadly respiratory coronavirus.

The present stock of APIs "may be sufficient" for 2-3 months to make formulations, said DoP in a release on Tuesday, citing some of the recommendations of the committee that was chaired by CDSCO's Reddy.

The committee had also recommended that the government establish a "Drug Security Authority" to make India "self-sufficient" and a "global leader" in APIs and other key intermediates domestically as well as an exporter, according to a person aware of its recommendations.

Chinese drug makers outside of Hubei have now resumed operations "partially" and are expected to be fully operational by March-end, DoP stated.

'EVOLVING RISKS TO ECONOMIC ACTIVITY' Coronavirus spread: US Fed responds with 50 bps cut

REUTERS
NEW YORK, MARCH 3

THE US Federal Reserve cut interest rates on Tuesday in an emergency move designed to shield the world's largest economy from the impact of the coronavirus.

It was the Fed's first emergency rate cut since 2008 at the height of the financial crisis. In a statement, the central bank said it was cutting rates by a half percentage point to a target range of 1.00 per cent to 1.25 per cent.

"The fundamentals of the US economy remain strong. However, the coronavirus poses evolving risks to economic activity. In light of these risks and in support of achieving its maximum employment and price stability goals, the Federal Open Market Committee decided today to lower the target range for the federal funds rate," the Fed said a statement.

Federal Reserve Chair Jerome Powell said the coronavirus



US Federal Reserve Chair Jerome Powell in Washington. AP

would weigh on the US economy for some time. He said he believed the central bank's action would provide "a meaningful boost to the economy."

US stocks initially surged on the move. At 11:47 a.m. ET, the Dow Jones Industrial Average was down 403.67 points, or 1.51 per cent, at 26,299.65, the S&P 500 was down 39.53 points, or 1.28 per cent, at 3,050.70. US benchmark 10-year Treasury yields fell

to a record low Tuesday. In midday trading, US 10-year yields fell to 1.047 per cent, from 1.088 per cent late on Monday. Earlier in the session, 10-year yields hit a record low of 1.022 per cent.

Meanwhile, the pan-European STOXX 600 index closed up 1.4 per cent, after surging as high as 3.3 per cent after the rate cut. Of the 21 European sub-sectors, only banks closed out the session lower.

RBI: Ready to step in, preserve stability

ENS ECONOMIC BUREAU
MUMBAI, MARCH 3

WITH THE coronavirus (COVID-19) posing the biggest threat to the global economy since the 2008 financial crisis, the Reserve Bank of India (RBI) on Tuesday said the central bank is ready to take appropriate actions for the orderly functioning of the financial markets. The Sensex rallied 480 points on hopes of a co-ordinated global action by central banks to revive the growth hit by the coronavirus.

The assurance from the RBI — which took a host of measures, including a steep 425-basis point-cut in the repo rate to salvage the economy during the 2008 global financial crisis — came after the Group of Seven (G7) finance ministers and central bankers on Tuesday discussed how to respond to the virus threat. Global markets rallied on Tuesday on hopes of global stimulus, especially from central banks. On Tuesday, Malaysia's central bank cut its key policy interest rate by 25 basis points to a 9-year low of 2.5 per cent while Australia cut its

policy rate to a record low of 0.50 per cent.

"The RBI is monitoring global and domestic developments closely and continuously and stands ready to take appropriate actions to ensure orderly functioning of financial markets, maintain market confidence and preserve financial stability," the RBI said.

Globally, financial markets have been experiencing considerable volatility, with the spread of the coronavirus triggering risk-off sentiments and flights to safe haven. "Spillovers to financial markets in India have largely been contained. Growing hopes of co-ordinated policy action to mitigate a broader fallout to economic activity has boosted market sentiment today," the RBI said.

The Reserve Bank of Australia on Tuesday cut official interest rates to a new record low due to the "significant effect" of the coronavirus outbreak on the Australian economy and has signalled it is prepared to cut further if needed. Malaysia's central bank said the cut was meant to provide a "more accommodative monetary environment" to support growth ahead of a slowdown.

Re falls below 73/USD

ENS ECONOMIC BUREAU
MUMBAI, MARCH 3

DESPITE THE rally in the markets, the rupee on Tuesday slumped 43 paise to 73.19 against the US dollar amid concerns over the possibility of capital outflows and a fall in the GDP growth in the wake of coronavirus outbreak.

After starting on a positive note, the rupee witnessed heavy volatility during the session and finally settled below 73 per US dollar level as uncertainty over coronavirus spooked investors. The rupee

had fallen to 72.76 against the dollar on Monday. This is the third consecutive session of fall for the domestic unit during which it has depreciated by 160 paise.

"The entire premise of the rupee being likely to outperform other Asian and emerging market currencies goes for a toss if new coronavirus cases are detected in India. If the disease spreads, it would compound the challenges for the government and the central bank which are already grappling with the weakest economic growth in 7 years," said an analyst with IFA Global.

Sensex recovers 480 points

ENS ECONOMIC BUREAU
MUMBAI, MARCH 3

DOMESTIC FINANCIAL markets on Tuesday staged a smart rally, driven by the prospect of more help from the world's central banks, including the Reserve Bank of India, in battling the economic impact of the coronavirus. The BSE Sensex rallied 480 points as the investor sentiment got a big boost amid expectations of policy measures from various central banks to mitigate the economic impact of coronavirus outbreak.

After a highly volatile session, the 30-share benchmark index snapped its seven-day losing streak, surging 479.68 points, or 1.26 per cent, to end at 38,623.70. The broader NSE Nifty jumped 170.55 points, or 1.53 per cent, to close at 11,303.30, led by gains in metal and pharma stocks.

Sun Pharma rose 6.64 per cent, along with stocks of other companies in the sector including Biocon, Cipla, Dr Reddy's, rising as much as 7.66 per cent, amid export restrictions imposed by the government on 26 pharma ingredients and medicines to boost local supplies.

The BSE midcap and small-cap indices rallied up to 1.75 per cent. All the sectoral indices closed in the green, with BSE metal rising the most by 5.67 per cent, following gains in Tata Steel and Vedanta. BSE power jumped 3.99 per cent, led by gains in NTPC and Powergrid. BSE utilities rose by 3.93 per cent, while BSE Healthcare gained 3.77 per cent.

'81% employers feel new I-T regime not to benefit staff'

A survey of HR and finance professionals by Mercer across companies has found that 81 per cent of them don't consider the new optional income tax regime beneficial



TWO-FOLD CHALLENGE
While organisations will have to look for innovative nudges to ensure that employees save voluntarily, it will also create a complex task at hand while negotiating for a better rate for these benefits with the vendors

As much as 83 per cent respondents feel that less than 30 per cent of their employees will opt for the new tax regime

NEARLY 60%
RESPONDENTS FEEL THOSE WITHIN INCOME BRACKET OF RS 5-10 LAKH AND RS 10-25 LAKH WILL BE IMPACTED BY THE NEW TAX REGIME

WILL AFFECT SAVINGS
A higher 80 per cent of responding employers think the new tax regime will affect the retirement savings behaviour of their employees

They also fear the new regime will deter employees from taking voluntary benefits from employers, which will force those drawing higher incomes to look for other options

81% of their employees feel that the new tax regime will not benefit them

Tax slab under the new system	Existing tax slab	Rate(%)
Up to ₹ 2.5 lakh: NIL	Income	
₹ 2.5 lakh- ₹ 5 lakh: 5%	Up to ₹ 2.5 lakh	NIL
₹ 5 lakh- ₹ 7.5 lakh: 10%	₹ 2.5 lakh- ₹ 5 lakh	5
₹ 7.5 lakh- ₹ 10 lakh: 15%	₹ 5 lakh- ₹ 10 lakh	20
₹ 10 lakh- ₹ 12.5 lakh: 20%	Above ₹ 10 lakh	30
₹ 12.5 lakh- ₹ 15 lakh: 25%		
Above Rs 15 lakh: 30%		

13% anticipate a change in salary structure, which means the employers may continue with same salary structures with various components irrespective of the tax regime chosen by employees

OVER 80% employers think the changes in Section 17(2), under which employer contribution towards superannuation, national pension scheme, among others, will affect the amount of money they are investing towards these products

Source: Mercer/PfI

64%
OF RESPONDENTS EXPECT A MEDIUM TO HIGH COMPLEXITY CHALLENGE IN INTRODUCING THE NEW TAX REGIME

13% anticipate a change in salary structure, which means the employers may continue with same salary structures with various components irrespective of the tax regime chosen by employees

OVER 80% employers think the changes in Section 17(2), under which employer contribution towards superannuation, national pension scheme, among others, will affect the amount of money they are investing towards these products

Bharti Airtel, Jio, Voda Idea clear deferred spectrum dues

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 3

THE THREE major telcos, Bharti Airtel, Reliance Jio Infocomm, and Vodafone Idea Tuesday deposited Rs 1,950 crore, Rs 1,053 crore, and Rs 3,043 crore, respectively, as deferred spectrum payment with the Department of Telecommunications (DoT).

Deferred spectrum payment is a routine payment to be made to the DoT for airwaves bought by the respective telcos in spectrum auctions and is different from the adjusted gross revenue dues to be made by telcos.

Earlier in the day, Tata Teleservices said it had paid Rs 2,000 crore on an ad-hoc basis as part of its AGR dues "in good faith" to the DoT, which is subject to reconciliation by the ministry.

The payment by Tata Teleservices follows a similar payment done by Bharti Airtel. The Sunil Bharti Mittal-led company on Saturday informed the stock exchanges that it had paid an additional Rs 3,004 crore as part of its AGR dues, thereby completing its compliance of SCs October 24 judgment.

The company said it had also deposited with DoT an additional sum of Rs 5000 crore as ad-hoc payment to cover any differences

Tata Teleservices said it has paid Rs 2,000 crore on ad-hoc basis as part of its AGR dues "in good faith" to the DoT

that may arise from the reconciliation exercise being undertaken by the ministry.

The total payment made by Bharti Airtel is half of the government's calculations on the AGR dues payable by the company. The DoT has estimated that Bharti Airtel's needs to pay more than Rs 36,000 crore as AGR dues

The DoT is currently in process of calculating the AGR dues owed by the telcos. It had last week asked the companies to send documents supporting their assessment of AGR, which in most cases is nearly half or one-third of the dues calculated by the telecom ministry.

On October 24, 2019, the SC upheld the DoT's definition of AGR and said since the licencees had agreed to the migration packages, they were liable to pay the dues, the penalty on dues, and the interest on penalty due to delay in payments. The apex court had then given the telcos three months to clear their AGR dues.

ISSUES RELATED TO PRATT & WHITNEY'S PW1100 SERIES OF ENGINES HAVE AFFECTED INDIGO, GOAIR

P&W engine concerns prompt House panel to summon govt officials to discuss flyer safety

PRANAV MUKUL
NEW DELHI, MARCH 3

WITH NEARLY half the 56 failures of Pratt & Whitney's PW1100 series of engines affecting its Indian operators — IndiGo and GoAir — the issue has been raised by the Parliamentary Standing Committee on Transport, Tourism and Culture. Last month, chairperson of the panel TG Venkatesh, summoned officials of the Civil Aviation Ministry and the Directorate General of Civil Aviation (DGCA) to discuss issues of passenger safety arising from these snags.

"The house panel had dis-

STATUS OF ENGINES

Total Engines	INDIGO		GOAIR	
	Modified	Unmodified	Modified	Unmodified
As of date	146	66	44	42
End February	152	60	54	32
End March	167	45	67	19
End April	189	23	Delivery schedule	
End May	212	0	awaited	

Source: DGCA

cusSED the issue with civil aviation officials and was given a roadmap for a resolution of the problem," a senior government official told *The Indian Express*. When reached out, the BJP parliamentarian from

EXPLAINED
Move to address delays, disruptions
EVEN AS the technical snags in Pratt & Whitney engines have not resulted in a major mishap, the constant air turn-backs arising out of engine failures have been a constant irritant for passengers who have faced disruptions and delays. It is noteworthy that the current set of snags that have been going on for the last three years follow a different set of issues that plagued the engine model, a major chunk of which was faced by Indian carriers.

years, of which 26 have been reported by Indian carriers. The first failure was reported by IndiGo in

January 2017, and by GoAir in September 2018. Last October, the DGCA directed both the airlines to

replace unmodified engines with modified ones on its entire fleet by January 31, 2020, and later deferred the deadline to May 31. As per a DGCA official, there are a total of 212 P&W 1100 series engines powering IndiGo's fleet of Airbus A320neo and A321neo aircraft, while GoAir has 86 engines of this trim. As of date, IndiGo has 66 unmodified engines in its inventory, while GoAir has 42.

"The DGCA's stand has been acknowledged by the US Federal Aviation Administration and the European Aviation Safety Agency (EASA), who have also committed to the replacement of unmodified engines," the official said, adding that the airlines and the manufac-

turer have been replacing the unmodified engines in line with the schedule and are expected to fully complete the process by May 31.

The current set of problems with the PW1100 engines are attributed to the fracture of third stage engine turbine blades, which begin to wear out after a certain number of hours in flight.

"P&W is in process of setting up a maintenance, repair and overhaul unit in India, in collaboration with Air India Engineering Services, for replacement of the third stage low-pressure turbine at their Mumbai facility. This will significantly reduce the time taken for the upgrade. The facility is expected to be operational soon," the

official said.

Even as the DGCA has maintained that there are no severe air safety concerns involving the technical problems with the engine model, lawmakers and civil society groups have rallied for grounding of the fleet till the manufacturer fully addresses the issues.

"The DGCA is continuously monitoring the performance of these engines and taking appropriate action to address the issues. The manufacturer has been directed to ensure sufficient availability of spare engines for Indian operators to prevent grounding of aircraft due to removal of engines," the DGCA official pointed out.