FRIDAY, 10 APRIL 2020
12 pages in 1 section
NEW DELHI (CITY)
₹9.00
VOLUME XXVI NUMBER 255

www.business-standard.com

Business Standard

THE MARKETS ON THURSDAY		Chg#
Sensex	31,159.6▲	1265.7
Nifty	9,111.9▲	363.2
Nifty futures*	9,086.7▼	25.2
Dollar	₹76.3	₹76.3**
Euro	₹82.9	₹82.9**
Brent crude ($/bbl)##	27.9##	27.8**
Gold (10 gm)###	₹45,020.0▲	₹310.0

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

CORONAVIRUS EFFECT P5

PETROL, DIESEL DEMAND SLIPS 66%, ATF'S 90% IN APRIL

COMPANIES P3

COGNIZANT WITHDRAWS 2020 GROWTH GUIDANCE

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

Covid-19 hangs over the future like a spectre: RBI

The pandemic has hugely altered growth outlook for FY21, says monetary policy report

ANUP ROY
Mumbai, 9 April

The macroeconomic risks held forth by the coronavirus disease (Covid-19) and the resultant lockdown will be severe for India, the Reserve Bank of India (RBI) warned in its monetary policy report, released on Thursday.

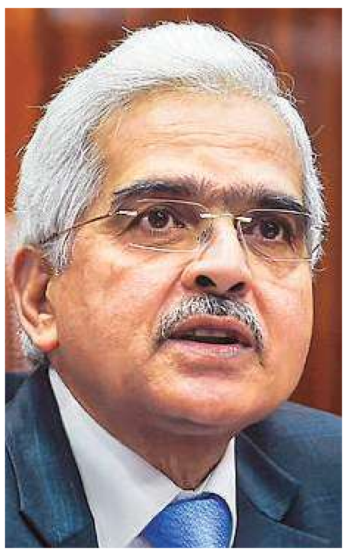
The impact of the pandemic came at a time when the economy was just at the turn of a recovery, but Covid-19 now "hangs over the future like a spectre", it said. "While efforts are being mounted on a war footing to arrest its spread, Covid-19 will impact economic activity in India directly through domestic lockdown."

The second-round effects, it said, would operate through a severe slowdown in global trade and growth. "More immediately, spillovers are being transmitted through finance and confidence channels to domestic financial markets," the report stated. These will accentuate the growth slowdown, which started in the first quarter of 2018-19 and continued through the second half of 2019-20.

The outlook for 2020-21 growth was looking up before the Covid-19 scare, it said. There was a bumper rabi harvest, and higher food prices during 2019-20 provided conducive conditions for the strengthening of rural demand. The transmission of policy rate cuts was also improving, with favourable implications for both consumption and investment demand. Reductions in goods and services tax (GST) rates, corporation tax rate cuts in September 2019, and measures to boost rural and infrastructure spending were to have a positive impact on boosting domestic demand. But "the Covid-19 pandemic has drastically altered this outlook", the report said.

The central bank now expects the global economy "to slump into recession in 2020, as post-Covid-19 projections indicate". However, the sharp reduction in international crude oil prices, if sustained, could improve the country's terms of trade. "But the gain from this channel is not expected to offset the drag from the shutdown and loss of external demand," the RBI said.

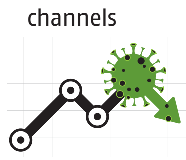
Turn to Page 11



RBI Governor Shaktikanta Das. The central bank has said whatever is needed should be done to shield the economy

WORRYING FORECAST

- **Lockdown to impact** economic activity severely
- **Spillovers getting transmitted** through finance and confidence channels



- **World economy** to slump into recession in 2020
- **Inflation to remain** benign

PAGE 4 RBI ADMITS GDP FORECASTS WERE OFF THE MARK | CREDIT GROWTH LIKELY TO REMAIN MODEST
PAGE 5 FEBRUARY IIP GROWS 4.5%, HIGHEST IN 7 MONTHS

GOVT SANCTIONS ₹15,000-CR COVID EMERGENCY FUND

The government announced a coronavirus emergency response and health system preparedness package of ₹15,000 crore to support efforts to combat the pandemic and prepare for future outbreaks. Of this, ₹7,774 crore will be utilised for immediate response and the rest for medium-term support of 1-4 years, which will be provided in mission mode, a statement said. The fund will be used to procure essential medical equipment, drugs, personal protective equipment and ventilators. 12

BACK PAGE P12

US Fed rolls out $2.3 trn to support economy

The US Federal Reserve, or Fed, on Thursday rolled out a broad, $2.3 trillion effort to bolster local governments and small and mid-sized businesses in its latest move to keep the US economy intact as the country battles the coronavirus pandemic. The Fed said it would work through banks to offer four-year loans to companies of up to 10,000 employees, and begin to directly lend to state governments and more populous counties and cities to help them respond to the crisis.

MARKETS CLOSED TODAY

Stock, currency and commodities markets will remain closed on account of Good Friday.

Debt schemes see worst end to a year

SIP flows at ₹1 trillion for FY20; equity holds up

JASH KRIPLANI
Mumbai, 9 April

The mutual fund (MF) industry saw the highest-ever outflow in debt schemes for any financial year closing, in 2019-20. A combination of hardening yields amid selling by foreign institutional investors (FIIs) and redemption pressure from corporate treasuries seeking to conserve cash in view of a coronavirus-induced lockdown led to ₹1.94 trillion of net outflows from debt schemes in March.

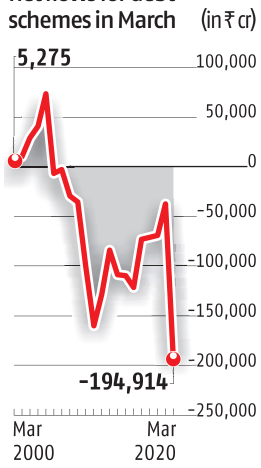
Overall, the industry saw nearly ₹5 trillion, or 18 per cent, of asset erosion in March, with the asset base shrinking to ₹22.26 trillion from ₹27.22 trillion at February-end.

Net outflows were witnessed across debt categories, with liquid schemes accounting for ₹1.1 trillion of outflows. Duration funds, used by companies and institutional investors to park their funds, also saw sizeable outflows. Ultra-short duration funds saw ₹29,000 crore of outflows in March. Low-duration funds, which invest in 6-12 months' debt paper, saw net outflows of ₹19,921 crore.

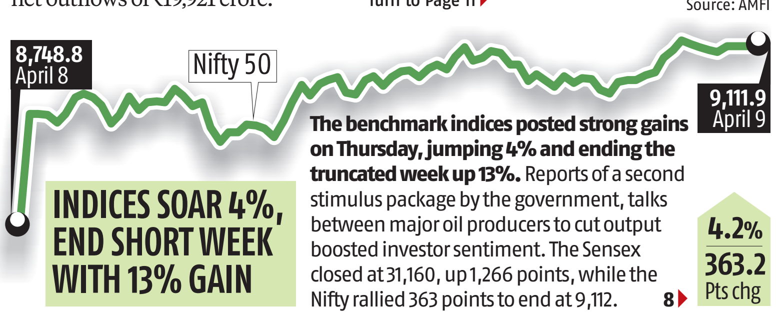
Turn to Page 11

EXIT ROUTE

Net flows for debt schemes in March (in ₹ cr)



Note: Includes income & liquid funds; data available since March 2000
Source: AMFI



INDICES SOAR 4%, END SHORT WEEK WITH 13% GAIN

The benchmark indices posted strong gains on Thursday, jumping 4% and ending the truncated week up 13%. Reports of a second stimulus package by the government, talks between major oil producers to cut output boosted investor sentiment. The Sensex closed at 31,160, up 1,266 points, while the Nifty rallied 363 points to end at 9,112. 8

4.2%
363.2
Pts chg

Govt begins mapping of migrant workers for relief measures

MIGRANT CRISIS

500,000-600,000 No. of workers who walked on foot to villages after lockdown

8.4 mn Those given food by govt and NGOs

1.03 mn Persons in relief camps or shelter homes

1.5 mn Workers given shelter or food by employers

22,567 No. of shelter homes; Kerala accounts for around 70% of them

Source: Centre's submission to petitions in the Supreme Court

SOMESH JHA
New Delhi, 9 April

The central government has begun one of the most comprehensive exercises to map migrant workers scattered across the country — in relief camps, on their employers' premises, or in clusters where they reside.

The government wants to create a database of millions of such workers to ascertain whether a relief package could be announced for the most affected segment of the workforce due to the national lockdown to contain the spread of coronavirus (Covid-19), a senior labour and employment ministry official said.

The Union home ministry and the labour ministry have asked state governments to coordinate with the chief labour commissioner's (CLC's) office to give a comprehensive data of all the migrant workers by April 11. "As you all are well aware that a huge number of migrant workers is impacted due to the lockdown in view of spread of Covid-19 ... In view of above a comprehensive data in respect of the migrant workers are urgently required within three days," CLC Rajan Verma said in a letter dated April 8 to all his regional officers.

Turn to Page 11

VIRUS TRACKER

INDIA

Total **5,865**
Active cases **5,218**
Recovered **477**
Deaths **169**

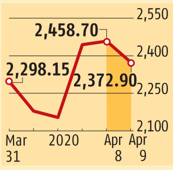
WORLD

Total **1,506,936**
Deaths **90,057**

Note: Total cases include 1 migration; figures as of 11 pm IST;
Sources: Ministry of Health; Johns Hopkins Coronavirus Resource Centre

STOCKS IN THE NEWS

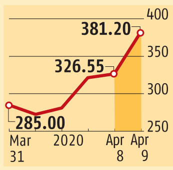
Hindustan Unilever



Top loser among the S&P BSE Sensex stocks

₹2,372.90 CLOSE
▼ 3.49% DOWN*

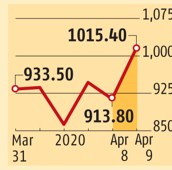
Mahindra & Mahindra



CRISIL reaffirms its ratings on the debt programmes and bank facilities

₹381.20 CLOSE
▲ 16.74 UP*

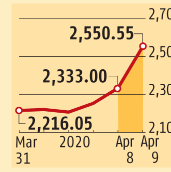
Titan Company



Longer term top line and earnings opportunity attractive, say analysts

₹1,015.40 CLOSE
▲ 11.12% UP*

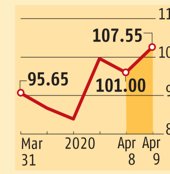
Bajaj Finance



Regains ₹1.53-trillion market capitalisation mark

₹2,550.55 CLOSE
▲ 9.32% UP*

Hindalco Industries



Novelis receives final clearance for Aleris acquisition

₹107.55 CLOSE
▲ 6.49% UP*

* OVER PREVIOUS CLOSE

IN BRIEF

Britannia: Factories running at 25% capacity utilisation

Amid the Covid-19 lockdown, factories of Britannia are running at 25-30 per cent capacity, managing director Varun Berry has said. However, in the next 5-6 days production is likely to pick up and the FMCG-major should be getting close to 70-75 per cent as far as capacity utilisation is concerned, Berry said. "We do not have problems in terms of raw materials but factories are operating at 25-30 per cent efficiency as we haven't been able to get workers to come in. Safety is our topmost priority but there's a little bit of fear factor among the workers." He said, the surge in demand during the lockdown is not a sustained one. The company is holding an inventory of up to 11 days which is witnessing a depletion for the past one week. To ensure uninterrupted supply of essentials, Britannia said it had also partnered with on-demand e-commerce platform Dunzo to deliver its products. **BS REPORTER**

Kotak Mahindra Bank leadership team takes 15% pay cut

Kotak Mahindra Bank's leadership team has voluntarily opted for a 15 per cent cut in salary for FY21, the bank said. Uday Kotak, managing director and chief executive, opted to forgo his salary, and will receive ₹1, the statement said. (Disclosure: Entities controlled by the Kotak family have a significant holding in Business Standard Pvt Ltd.) **BS REPORTER**

Singapore Airlines offers full refund, bonus credit

Singapore Airlines is offering full refund to passengers whose flights were cancelled due to Covid-19 and also giving them option of bonus credits of ₹3,900-26,000 in case they choose to retain and rebook the ticket. "We want to extend as much flexibility as possible to our customers," executive vice-president (commercial) Lee Lik Hsin said in an email to travel agents. **BS REPORTER**

IFFCO Tokio Insurance names Rashtrawar MD & chief executive

IFFCO Tokio General Insurance Company on Thursday said it had appointed Anamika Roy Rashtrawar its managing director and chief executive officer. The appointment is effective March 27, the firm said. **PTI**

Apollo Tyres raises ₹500 crore through NCDs

Apollo Tyres on Thursday said it had raised ₹500 crore via allotment of non-convertible debentures (NCDs) through private placement. The present issue is for allotment of 5,000 NCDs of face value of ₹10,00,000 each aggregating to ₹500 crore, Apollo Tyres said. **PTI**

Adani Wilmar ties up with Swiggy for delivering essentials

Adani Wilmar on Thursday said it had tied up with Swiggy to deliver essential food items to customers. Customer can buy without stepping out of their homes, said Angshu Mallick, deputy CEO. **BS REPORTER**

Blue Dart cuts retail tariff rates by 25% amid Covid crisis

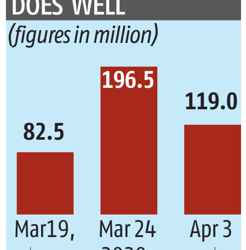
Express logistics services provider Blue Dart Express on Thursday said it had reduced retail tariff prices by 25 per cent, aiding the country in its fight against the crisis. Blue Dart Express operates six dedicated Boeing 757 freighters each with a capacity of 34 tonnes. **PTI**

BARC: DD MOST-WATCHED, RIDING ON OLD CLASSICS

The broadcast of a slew of popular old shows during the lockdown has paid rich dividends for Doordarshan. Data from the Broadcast Audience Research Council (BARC), released on Thursday, shows that DD National has emerged the most-watched channel during the lockdown in the week stretching from March 28 to April 3. **VIVEAT SUSAN PINTO** takes a look at TV viewing patterns since the first curfew was announced

PM'S VIDEO MESSAGE DOES WELL

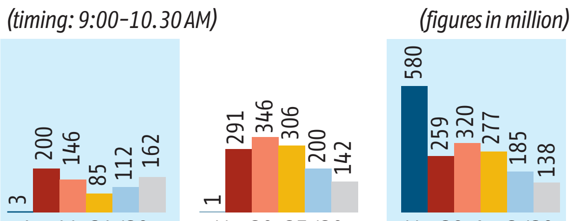
(figures in million)



■ DD National ■ Rest of Hindi GEC ■ Hindi movies ■ Hindi news ■ Kids ■ Music & youth

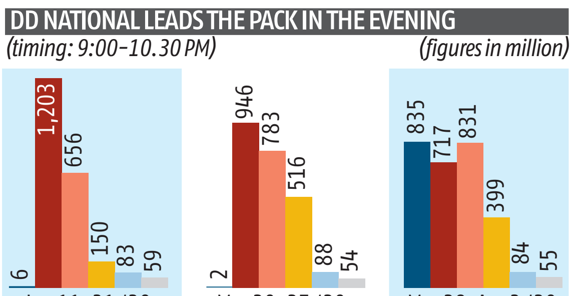
DD NATIONAL LEADS THE PACK IN THE MORNING

(timing: 9:00-10.30 AM) *(figures in million)*



DD NATIONAL LEADS THE PACK IN THE EVENING

(timing: 9:00-10.30 PM) *(figures in million)*



*March 19 was when PM announced Janata Curfew; March 24 was when the 21-day lockdown was announced; April 3 was when PM's video message was broadcast

Source: BARC

Manufacturers echo partial lift on curbs

SURAJEET DAS GUPTA & T E NARASIMHAN
New Delhi/Chennai, 9 April

They are companies that operate from two leading industrial hubs but in completely different sectors — textiles Tiruppur, while auto in Chakan, near Pune, with big names like Bajaj, Volkswagen group, Daimler and Mahindra & Mahindra operating there. Despite the difference in businesses they have a common demand to the state governments — permit them to open their factories even if in phases so that they don't lose huge money.

In the country's textile hub of Tiruppur, garment exporters are worried they might lose over ₹25,000 crore worth of orders, putting them in serious trouble. They are required to send sample products to their customers in Europe and US in April and May. On the basis of samples, they get firm orders for next summer and winter. If they don't, these orders will be grabbed by China and Bangladesh, which have their factories rolling.

Raja M Shanmugam, president of Tiruppur Exporters' Association, said: "Companies have said they will be able to manufacture the samples even with 10 per cent of the workforce. If they don't ship this month, next month orders will go to China, which has already started manufacturing, and Bangladesh, which partially started production last Sunday."

Most of the exporters have the required manpower and had sourced the raw material before the lockdown. All they need now is permission to produce the samples after putting in place all health and safety measures in place.

Aware of the challenge faced by exporters in Tiruppur, the ministry of textiles has asked the Apparel Export Promotion Council (AEPC) to ascertain details of companies having residential, hostel, or dormitory facilities, where workers can stay on campus 24x7 and do their work while maintaining social distancing. They have been assured that a decision on permission to partially open will be dependent on this exercise.

In Chakan, it is the big boys who are pushing for a partial lifting of the lockdown. Bajaj Auto, which exports half its two-wheelers, for instance, has requested the state government to allow them to produce only for exports.

Rajiv Bajaj, managing director, said: "We have requested to at least permit export production to start, so that there is no credibility loss for Indian industry and its supply chain."

Bajaj said his factory has only 1,300 workers who produce a million vehicles a year. Their average age is only 26, so it is a young and healthy population. Many of them live in rented accommodation within a few kilometres of the factory and away from their families. A large chunk of the vendors, who supply to the plant, are also located in a cluster around the plant. "In my view, plants like this should be permitted to start, with the employer taking responsibility for screening, masks, and social distancing," he said.


PHOTO: REUTERS

In the country's textile hub of Tiruppur, garment exporters are worried they might lose over ₹25,000 cr worth of orders

Sources say some of the carmakers in Chakan are pushing for some relaxation. For instance, they have asked for allowing them to dispatch vehicles that are lying in the factory premises to dealers. Some of the companies want to go even further. "We are also looking at the government permitting us to produce up to 10-20 per cent of the capacity to begin with, with all the precautions," a carmaker said.

Yet in Uttar Pradesh's Noida, a cluster that houses global manufacturers like Samsung and LG, no one seems to be ready to take risk. According to the Noida Entrepreneurs Association, which represents over 10,000 units in Noida and Greater Noida region, allowing labour to work for basic maintenance work would lead to thousands of workers amongst the 1 million that work in the region to get out of homes, and that would be difficult to handle.

With inputs from Arnab Dutta in New Delhi

Quick USFDA approvals for asthma drug makers

Cipla gets go-ahead earlier than expected; Lupin, too, may get it soon

SOHINI DAS & UJJVAL JAUHARI
Mumbai/New Delhi, 9 April

The novel coronavirus outbreak has fast-tracked approvals by the drug regulator in the US.

Cipla, the Indian market leader in respiratory segment, said on Thursday that it received the final approval for its asthma medication albuterol (an inhaler) from the US Food and Drug Administration (USFDA).

Cipla's stock touched a 52-week high on Thursday and ended the day's trade on BSE at ₹579.5 a piece, up 13 per cent from previous close, as the approval for the drug came in earlier than expected.

Lupin also has a filing for albuterol in the US and analysts expect the USFDA may prioritise the approval now. Shares of Lupin, too, went up by 11.6 per cent on Thursday.

"Lupin's filings for albuterol are from plants that are 'safe' meaning not under the USFDA scanner. Therefore, its prospects look good," said an analyst. Albuterol inhalation aerosol market in the US is estimated to be around $2.8 billion. According to IQVIA estimates, the market size for Merck Sharp and Dohme Corp's Proventil and its authorised generic equivalent had US sales of around $153 million in the past 12 months.

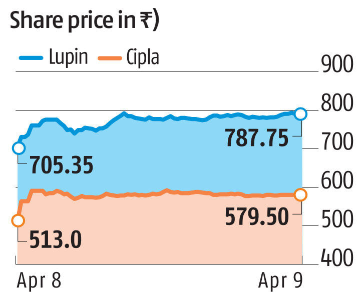
This approval improves Cipla's prospects in the US market, which had seen subdued growth in the recent past. Analysts said while they were expecting an approval around Q4FY21, it came in earlier. "We were expecting the approval in Q4FY21 and only limited sales in FY21. We estimate FY22 sales of $50-60 million," said Ankit Hatalkar of Edelweiss.

The importance of this drug has enhanced in the backdrop of the growing Covid-19 pandemic that is causing severe respiratory illness in several patients. In a statement, the USFDA said: "The USFDA recognises the increased demand for albuterol products during the novel coronavirus pandemic. We remain committed to facilitating access to medical products."


PHOTO: PTI

BREATHING EASY

Share price in ₹)



In the US, more than 26 million people are known to have asthma, about 7 million of them are children.

This is the second positive announcement by Cipla for its US respiratory portfolio.

Last Friday, it had announced successful completion of phase 3 clinical studies for generic Advair, which paves the way for an abbreviated new drug application (ANDA) filing soon.

While analysts expect the ANDA filing in next 3-4 months, being a complex product and based on past experience with other players (Mylan, Hikma, Sandoz), analysts at Emkay Global say that it is highly likely that the approval pathway will be longer than the usual one-year cycle. While some analysts expect its launch by FY22, others expect it by FY23, as a third generic in the market. The good part is that Cipla will have a two-year lead over the fourth entrant.

Umang Vohra, MD and global CEO, Cipla, said: "Albuterol is the first generic metered dose inhaler of Proventil ever approved by USFDA and Cipla's is the first device-based inhalation product in the market." The company is planning shipments of this drug in a staggered manner and would also donate some products.

Analysts at Kotak Institutional Equities had earlier said that filing of Advair will add to Cipla's medium-term growth visibility (FY22-24). While they expect more filings from the inhalation pipeline, they see Advair as a long-tailed product that now adds significant optionality (₹30 per share net present value).

Private labs to approach SC for relief on directive to offer free Covid tests

SOHINI DAS & GIREESH BABU
Mumbai/Chennai, 9 April

Private diagnostic labs testing for Covid-19 are planning to move the Supreme Court, with a plea to hear their version on charging patients for the test, even as the apex court recommended approved labs to conduct such tests for free. The labs, approved by the Indian Council for Medical Research (ICMR), are also looking at approaching the government for a reimbursement, and tapping the corporate social responsibility (CSR) funds to tackle the situation.

A Supreme Court Bench comprising of Justice Ashok Bhushan and S Ravindra Bhat on Wednesday issued an interim order saying tests relating to Covid-19 whether in government labs or approved private labs shall be free of cost and the government has to issue necessary direction in this regard immediately. It said the question on whether these private laboratories are entitled for any reimbursement of expenses incurred shall be considered later.

Thyrocare, Paras Healthcare, and Neuberg say if free tests are to be provided, help is needed from different agencies

A Velumani, chairman and founder of Thyrocare, said: "We were not heard when the petition was filed, and now we are filing a plea with the SC to hear our version." The diagnostics industry never had any big association, but many are coming together now to approach the court and the government.

The labs stopped charging for the tests on Thursday after the SC order. At present, ICMR has approved 139 government labs approved and supported with supply of diagnostic kits or reagents, another four government labs found suitable for the testing and 67 private labs for Covid-19 testing.

G S K Velu, chairman and managing director of Neuberg Diagnostics, which conducts Covid-19 tests in Bengaluru, Ahmedabad, Chennai, and other cities, has said his labs are already offering tests for free in its Bengaluru centre and has made the tests free for those below poverty line in other centres, using funds from his trust. Of the 2,500 tests they have conducted so far, 1,500 were for free. "We are not looking at it as a business opportunity. But if we have to do it on a larger scale, we need support from other corporates or government to at least pay the cost. We will wait for the SC direction on this," he said.

Velumani also feels free tests can be offered provided the cost of collection and consumables are borne by different agencies. "If a group of large corporates procure and pay for the consumables (kits and protective gear), through their CSR funding, and the government reimburses the cost of collection (which can be done through private agencies), then the cost per test can come down significantly."

Ravi Gaur, COO of Delhi-based diagnostic chain Oncquest, is pinning his hope on the government. It has started offering free tests. But, the firm says it won't be viable in the long term, considering regular testing has declined and there are costs such as that of personal protective equipment, transportation, insurance coverage for those who collect samples and disposal of medical waste. "Now we have to go back to the government for its guidance such as some support or reimbursement," said Gaur. "Business is down by 80 per cent as routine tests are not happening. If other tests would have been going on, the infrastructure cost could have been managed. Smaller players may not be able to survive more than a couple of months."

Shankar Narang, COO of Paras Healthcare, said there should be workable cost sharing arrangements to make it possible for private labs to be able to offer tests at lower costs or free of cost.

Naredco calls for $200-bn package for economy

SAMREEN AHMAD
Bengaluru, 9 April

Realty body National Real Estate Development Council (Naredco) has sought for a $200-billion stimulus package to revive the economy, which has been reeling due to pressure from Covid-19.

Niranjan Hiranandani, president Naredco, said global investors were waiting for Indian stocks to fall in value, to take over these listed companies at throwaway prices.

"Hence, in lieu of protecting Indian companies, suspension of NCLT law for at least six months is imperative to salvage the capital erosion" he said.

Estimating the losses to real estate at ₹1 trillion for now, he suggested that the economic stimulus package for all industries across the economy should be at least 10 per cent of the country's GDP. He also sought a 50 per cent cut in the GST rate for a period of six months for all the sectors to bring back the demand side of the economy to the marketplace.

'WFH can take away 5-10% of office demand'

The lockdown due to coronavirus disease (Covid-19) pandemic is expected to have a massive impact on the leasing of commercial properties. In the first quarter of this calendar year, the absorption of office properties came down by 30 per cent, JLL said in a report on Thursday. The last time such drop was witnessed was in Q1 2017, when the absorption fell by 60 per cent after demonetisation, it said. New completions were recorded at 8.6 mn sq ft in the first quarter of 2020, a 40 per cent drop as compared to the same period last year, it said. Bengaluru, Mumbai, and Delhi-NCR accounted for nearly 75 per cent of the net absorption in Q1 2020, despite the decline in the overall market. **RAMESH NAIR**, chief executive and country head at property consultancy firm JLL, speaks to **Raghavendra Kamath** about how the segment will get impacted. Edited excerpts:

How will work from home (WFH) affect demand for offices this year?

WFH can take away 5-10 per cent of office demand. In the long run, we expect accelerated adoption of WFH policies by firms globally. However, there are a number of challenges when working from home. Bandwidth is definitely a challenge in a country like ours. For business process outsourcing or technology firms based in special economic zones and software technology parks, there are regulatory bonding obligations which they will have to adhere to.

Do you feel landlords will defer/waive office rents during lockdown period?

Landlords' contention is that tenants still have ongoing operations with WFH enabled by servers placed on landlords' premises being fed by uninterrupted power in temperature controlled environment. Force majeure and rent abatement clauses will be fiercely debated.

We also expect tenants to be reluctant to accept increased rentals when renewals come up next. There is no knee-jerk reaction from the occupiers. However, we expect a number of our clients to reach out to us to restructure their leases, given the cost pressures they are under. Tenants are still committed to deals under negotiation, but want to delay rent commencement dates and push out possession dates.

"WE EXPECT 25% OF COMPLETIONS TO GET PUSHED TO NEXT YEAR, GIVEN THE LABOUR & LIQUIDITY CHALLENGES"

Q&A

RAMESH NAIR
CEO & country head, JLL

Do you expect any downward impact on office rents this year?

We expect rents to remain muted. A number of our clients have put leasing closures on hold, but that is for the next three-four weeks. Fundamentals are still quite strong, with low vacancy and not a lot of supply coming in for the next two years.

However, we do see that absorption will definitely not be the same as last year, which was at 46 million square feet. We expect 25 per cent of completions to get pushed to next year, given labour and liquidity challenges.

How will the whole issue impact the business of co-working spaces?

There will still be demand for co-working spaces because it offers flexibility and helps companies' business continuity planning. This year, a lot of chief executives will be under cost pressures and forced to not invest capital expenditure. However, the industry will get impacted due to social distancing, community issues, and challenges of not knowing people around you. Co-working players will have to rework their designs to follow a de-densification strategy and rearrange interiors and common areas. Also, WFH can have an adverse impact.

How will the whole issue hit lease rent discounting (LRD) done by banks? Will it affect LRD by developers?

LRD as a product enables lending by the bank to developers based on the cash flow from the property of developers. It is one of the most secured lending products since cash flows are based on contractual agreement that the occupiers sign with the landlord. After Covid-19, if there are negotiations, that will reduce these cash flows or change the nature of payments.

The first effect is that the loan to value will get affected; second being month-on-month repayment factored in by the bank may also get affected due to renegotiation of rents/terms. The developer may need to infuse equity to make these obligated payments to avoid any defaults leading to a non-performing asset.

Cognizant withdraws '20 revenue growth guidance

Firm builds up war chest by drawing down $1.7 bn worth of revolving credit

DEBASIS MOHAPATRA
Bengaluru, 9 April

Cognizant became the first offshore-centre IT services company to withdraw its annual revenue guidance for 2020 in light of the coronavirus disease (Covid-19)-induced global crisis and the resultant uncertainty in business outlook.

Though Accenture slashed its revenue guidance for the year, Cognizant's action is an indicator of the severity of the crisis. Apart from withdrawing the guidance, the IT firm said it was also building up a war chest by increasing its cash and investment balance to tide over potential liquidity issues.

"The long-term fundamentals of our business remain strong. However, given the unprecedented nature of this crisis, uncertainty around its duration and its impact on our ability to forecast performance, the company is withdrawing its 2020 guidance that was provided on February 5," said Brian Humphries, chief executive officer of Cognizant.

In February, Cognizant guided for a top line growth of 2-4 per cent in constant currency terms after posting better-than-expected performance in the fourth quarter of calendar year 2019.

The IT services firm said that though it was on track to exceed its first quarter guidance based on the performance of the first two months, the pandemic derailed its plans in March because of delays in project fulfillment, as the company moved to a work-from-home model apart from dip in demand, particularly in the travel and hospitality segment.

"Entering the second quarter (April-June), Cognizant expects the pandemic to further reduce client demand as its societal and economic impact causes broader disruptions across industries," it said.

Despite the disruption, the company expects its first quarter revenue to be in the range of $4.22-4.23 billion, a rise of 3.4-3.6 per cent in constant currency terms over the corresponding period last year. Top line growth in the first quarter is likely to be in line with its projection of 2-8-3.8 per cent.

The IT firm, which has over 60 per cent of its employees operating out of India, has also taken various measures to improve financial flexibility. It has drawn down $1.74 billion of its revolving credit facility, taking its cash and investment balance to around $4.7 billion or a net cash of $2.2 billion. It also said that it has no significant debt maturities till 2023.

"We are confident that the combination of our strong balance sheet, and our robust operating and cash generative business model, will enable us to weather this disruption," said Karen McLoughlin, chief financial officer of the firm. To save cash reserve, the firm has also not initiated any share buyback since March 31, the company said.

Late last month, Cognizant announced that it would pay employees at the associate level or below an additional 25 per cent of their base salary in April in recognition of their "extraordinary continuity-of-service efforts" amid the outbreak.

"The long-term fundamentals of our business remain strong. However, given the unprecedented nature of this crisis, uncertainty around its duration and its impact on our ability to forecast performance, the company is withdrawing its 2020 guidance"

BRIAN HUMPHRIES
CEO, Cognizant

TIDING OVER CRISIS

- After business disruption in March, the IT firm expects full impact of the crisis to be felt in April-June quarter
- The company expects to post largely in-line revenue numbers in the first quarter
- Cash and investment balance may help the firm tide over any shortfall in liquidity
- The firm becomes the second IT company after Accenture to flag concerns owing to Covid-19

Tough times may weigh on Titan's FY21 financials

RAM PRASAD SAHU
Mumbai, 9 April

The lockdown has adversely impacted Titan's sales in March, with the company reporting a 5 per cent decline in the jewellery division for the quarter (Q4) on account of supply-side disruptions and closure of retail stores.

Growth in the segment, which accounts for over 80 per cent of the consolidated sales, was robust in January and February, thus leading to a 16.5 per cent growth in revenues.

Titan indicated that due to serious disruptions in operations in March, revenue growth for Q4 and FY20 as a whole has been hit severely. Brokerages believe the impact could be more severe going ahead.

Typically, the June quarter accounts for 24 per cent of revenues, and is a significant quarter, given the wedding season that follows right after. Though sales of diamond-studded and wedding jewellery were robust till the disruption, the loss in sales due to cancelled weddings and delayed store expansion will weigh on revenues in FY21. The company added 151,000 square feet of space in the quarter, which included 40 Tanishq stores. While some brokerages expect jewellery sales to fall 40 per cent in the June quarter, much depends on when the lockdown is lifted.

Motilal Oswal Financial Services say the disruption will strongly impact business considering Titan's extensive presence in malls, which have been shut. Even after the lockdown ends, footfall in malls is likely to be low as people continue to maintain social distancing, adds the brokerage. On its part, the firm is looking at ensuring adequate liquidity (supply chain and front-end), coupled with a focus on keeping costs lower during this period. Though the near-term outlook is hazy and will hit all divisions including jewellery, watches, eyewear, and new businesses, the Street believes the company will be among the first to recover, considering past instances.

While sales for most retailers across segments were subdued in the quarters following demonetisation, Titan reported 34-46 per cent sales in the three quarters that followed Q3FY17. The other trigger will be the ability to gain market share.

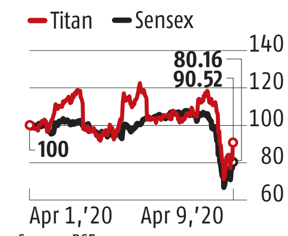
Analysts at Kotak Institutional Equities highlight Titan's improved competitive positioning vis-à-vis competitors, especially regional players that have much weaker balance sheets and have been challenged for growth capital over the past few years.

Leverage ratios for such firms could rise substantially, increasing their challenges on the growth capital front, they add. Notwithstanding a poor March quarter and near-term worries, the stock gained a 11 per cent, even as the benchmarks were up 4 per cent. Most brokerages believe that valuations, prior to Thursday's recovery, were turning attractive for the jewellery segment leader.

Excluding Thursday's gain, the stock had corrected about 27 per cent since the beginning of March. Analysts at Emkay Global, in an April 8 note, had said Titan was an attractive bet, given its stronger franchise and its B/S, which provide the ability to weather the storm compared to peers.

Near-term outlook grim but Street confident on stock

HOW STOCK MOVED



Source: BSE

Marico, GCPL Q4 revenue may skid

VIVEAT SUSAN PINTO
Mumbai, 9 April

Consumer goods majors Marico and Godrej Consumer Product (GCPL) said in their latest quarterly updates that they would see a sharp revenue decline in the January-March period due to the Covid-19 pandemic and subsequent national lockdown.

Marico said it would see a "modest decline" in its earnings before interest tax depreciation and amortisation (Ebitda) for the March quarter due to an unfavourable product mix, led by high sales in edible oil and food products under Saffola, while other categories were muted in terms of sales.

Marico and GCPL join Bengaluru-based Titan to give an indication of their financial performance for the January-March period before formal announcement of their fourth quarter results. "In the India business, early signs of improvement across categories were seen until early March, but disruptions occurred in the past 12 days," Marico said. GCPL said its India demand was steady until the outbreak of the coronavirus. "However, demand slumped because of the disruption in both back end and front end supply chain in the past 12 days of March. We are awaiting data on the stock levels on general trade shelves," the firm said. GCPL also said it saw a "gradual bounce back" in the near term driven by restoration of the supply chain, in higher consumption for personal wash and a favourable season for household insecticides.

IT industry braces for a rough ride as ISG predicts delay in client spending

DEBASIS MOHAPATRA
Bengaluru, 9 April

IT services industry is in for a rough ride this year as global technology research firm ISG sees majority of the global enterprises delaying their spending decisions by up to three months owing to the Covid-19 pandemic.

According to ISG, the demand contraction is likely to be felt the most in the second quarter (April-June) period of this year, leading to decline in annual contract value (ACV) of IT services firm. The sector, however, is expected to see a gradual recovery in the second half of 2020.

"ISG estimates 17 per cent QoQ and 21 per cent YoY decline in annual contract value of managed services deals in the second quarter of 2020 due to supply and demand challenges caused by the pandemic. Travel, transportation and hospitality will be the most-affected verticals followed by retail," Kotak Institutional Equities said in a note after attending ISG event. "Telecom vertical IT spends are likely be more resilient compared to other verticals," it said.

According to ISG, while January and February saw good growth in overall technology outsourcing contracts, it fell sharply in March with the disease spreading across key geographies of the US and Europe.

Due to such demand slump, overall ACV for 2020 is likely to fall by 7 per cent this year from $55.7 billion worth of contracts that had been executed last year. ISG also sharply revised its outlook for managed services, IaaS (infrastructure as a service) and SaaS for the whole year.

The global research firm also predicted significant cut in discretionary spend this year, which accounts for around 30 per cent of the total IT budget for most enterprises. "Quantum of discretionary spends can fall by 15-30 per cent in the near term. Application modernisation initiatives, while a critical part of digital transformation, will take a backseat due to pullback in discretionary spending," the Kotak note said.

The ISG report also predicts a significant pricing pressure on the IT services firms is going ahead. "ISG estimates that 60 per cent of clients will ask providers to reduce prices by 20-50 per cent," the note stated. As productivity levels come down because of work from home by majority of employees, clients are also expected to ask for a price rebates citing lower productivity levels in the coming quarters.

CORONAVIRUS PANDEMIC

99% of IBM staff to work from home

NEHA ALAWADHI
New Delhi, 9 April

IBM India has enabled work-from-home (WFH) for 99 per cent of its workforce, a senior executive said on Thursday.

While the company provided the option to work remotely to most of its employees even before countries began going into lockdown mode because of the coronavirus disease pandemic, it says it has now done so for a much wider workforce.

"What has been different in the past few months is embracing this approach at scale, not just among our sizeable employee population in India, but around the world. Our information technology (IT), human resources, business units, crisis management, legal, government relations, corporate social responsibility, operations and security teams have quickly come together to make WFH a reality for over 99 per cent of IBM India employees.

The remaining 1 per cent of our people are focused on critical assignments and we are taking every possible precaution to ensure their safety," said Sandip Patel, managing director, IBM India and general manager for India/South Asia region, in a post on LinkedIn on Thursday.

The two main challenges it faced while doing so, said Patel, were expanding IBM's infrastructure to meet the high demand for online traffic and enabling its employees to be more productive in the new distributed way of working.

"Another critical factor in our enabling over 99 per cent of our employees to WFH was the active collaboration and support from the government authorities and our clients," he added. The Indian IT industry has been working closely with the government to sort out issues like taking office equipment home, getting requisite permissions to move equipment from special economic zones and so on.

IBM is one of the largest employers in the IT services sector in India.

In 2018-19, it reported revenue of ₹27,279 crore and a net profit of ₹2,426 crore.

L&T board approves ₹9,000-cr fundraising

Engineering conglomerate Larsen & Toubro (L&T) on Thursday said the company's board had approved fundraising plans for up to ₹9,000 crore through various instruments, including non-convertible debentures.

"The board of directors, at its meeting on Thursday, has, inter alia, approved long-term borrowing up to ₹9,000 crore, either through external commercial borrowings, term loans, non-convertible debentures (NCD) or any other instrument as may be appropriate," the company said in its statement to BSE.

AMRITHA PILLAY

Rise in demand: IOC raises LPG imports by 50%

In the wake of the rise in liquefied petroleum gas (LPG) demand following the lockdown, Indian Oil Corporation (IOC) has tied up with international players for additional imports to the tune of 50 per cent over the normal figure for April and May.

The company said that the move was to ensure uninterrupted availability of bulk LPG for its bottling plants. IOC had delivered more than 33.8 million LPG cylinders to its customers in the past 15 days. This comes to the tune of 2.6 million cylinders every single working day.

SHINE JACOB

Hindalco gets EU nod to buy Aleris

DEV CHATTERJEE
Mumbai, 9 April

The share price of Aditya Birla Group's Hindalco shot up by 7 per cent on Thursday as its subsidiary, Novelis, won the final clearance from the European Commission, an executive branch of the European Union (EU), to go ahead with the $2.6-billion acquisition of Aleris. According to conditions set by the EU, Aleris will have to first sell its Belgium-based plant. The firm agreed to sell the plant to Liberty House for $337 million.

Hindalco shares closed at ₹107 a share, as all clearance for the acquisition, which was announced in July 2018, finally fell into place for the acquisition of Cleveland-based Aleris. Aleris acquisition will help Novelis to offer flat-rolled aluminium items to the automotive, aerospace, and building and construction industries. Novelis had reported revenues of $12.3 billion for the year ended March 2019, while Aleris reported revenues of $3.4 billion for the year 2018.

In March, the US department of justice announced that it would resolve an anti-trust suit challenging Novelis's proposed merger with Aleris after Novelis agreed to sell Aleris' entire aluminium auto body sheet operations in the US, which will preserve competition in the important industry. "Novelis has completed the regulatory review process and is now prepared to close the deal and begin integrating Aleris into Novelis," said Steve Fisher, president and CEO, Novelis Inc. "This will allow Novelis to further extend our position as the world leader in aluminum rolling and recycling and meet increasing customer demand for high-performing, sustainable aluminum solutions."

With the European Commission's approval of the buyer, Novelis has now received all regulatory clearances and will move expeditiously to close the acquisition.

The acquisition will solidify Novelis' position as the world's No.1 aluminium value-added products player. After the acquisition, Novelis and Hindalco will have presence throughout the downstream aluminium value chain in Asia, positioning it for future growth in the region. This also enhances the access to world class manufacturing capabilities for its existing Indian aluminium value added operations and accelerates the path to making world class products in India, Aditya Birla Group Chairman Kumar Mangalam Birla had said while announcing the acquisition.

Aleris to sell Belgium plant to Liberty House for $337 mn

Credit growth likely to remain modest: RBI

Policy report says better transmission of rates will remain priority

SUBRATA PANDA
Mumbai, 9 April

With the Covid-19 pandemic posing huge risks for the Indian economy, credit growth is likely to remain modest, reflecting weak demand and risk aversion, said the Reserve Bank of India (RBI) in its monetary policy report.

"Better transmission of monetary policy impulses to the credit market would remain a priority," the RBI said.

Credit offtake in the economy has been fairly slow with non-food credit growing at 6.1 per cent in FY20 (up to March 13), compared to 14.4 per cent growth in the same period last fiscal year.

According to RBI, the slowdown in credit growth was spread across all banks, especially those in the private sector. However, in the recent period (December 2019-March 2020), the public sector banks (PSBs) have seen a slight uptick in credit offtake.

The data shows that of the incremental credit extended by scheduled commercial banks (SCBs) during the year (March 15, 2019 to March 13, 2020), 62.6 per cent was provided by private sector banks, 36.6 per cent by PSBs, and 0.8 per cent by foreign banks.

The report says banks' investment in commercial papers (CPs), bonds, debentures, and shares of public and private corporates, which is a part of non-SLR (statutory liquidity ratio) investment, has gone down in the second half of FY20 (up to March 13) than a year ago because of lower investments, resulting non-food credit growth being lower.

CORONAVIRUS PANDEMIC

"With credit offtake remaining muted and non-SLR investments declining, banks increased their SLR portfolios. Banks held excess SLR of 8.4 per cent of net demand and time liabilities (NDTL) on February 28, as compared with 6.3 per cent of NDTL at the end of March 2019," RBI said.

"The credit growth will be in the range of 6 per cent in FY21, largely based on expectations of incremental credit growth of around ₹6 trillion. The demand from corporates for credit will remain muted as expansion will get deferred. On the working capital cycle, there is a demand for working capital loans to tide over liquidity issues but destocking is expected to pull down the demand for those loans. Retail segment is also likely to remain conservative to borrow and spend amid concerns of job losses and possibly salary cuts," said Anil Gupta, vice-president (financial sector ratings) ICRA.

On the supply side, certain private banks are seeing liability side pressures. And in the absence of liability growth, their ability to grow credit remains a challenge. PSBs have not received any capital this year, which will constrain their ability to push growth considerably, he added.

Meanwhile, the government reduced interest rate on small savings scheme in the range of 70-140 basis points for Q1FY21, broadly aligning the rates on small savings with the prescribed formula-based administered interest rates on small savings. "This augurs well for monetary transmission going forward," the RBI said.

According to RBI, the spreads between lending rates in the credit market and corporate bond yields have risen sharply since January 2019, implying faster transmission of policy rate cuts to the corporate bond market as against relatively muted transmission to the credit market.

However, since the October 2019 monetary policy, the weighted average lending rate (WALR) on outstanding rupee loans has declined 18 bps as opposed to a rise of 2 bps during February-September 2019. The WALR on fresh rupee loans declined by 71 bps (February 2019-February 2020). Of this, a decline of 31 bps occurred during October 2019-February 2020, the RBI said.

RATE TRANSMISSION

Transmission to deposit and lending rates *(basis points)*

Period	REPO RATE	TERM DEPOSIT RATES		LENDING RATES		
		Median term deposit rate	WADTDR	1-year median MCLR	WALR outstanding rupee loans	WALR fresh rupee loans
Feb-Sept '19	-110	-9	-7	-30	2	-40
Oct '19-Mar '19	-100	-29	-36	-30	-18	-31
Feb '19- Mar '20	-210	-48	-46	-60	-16	-71

* Latest data on WALR & WADTDR pertain to February 2020; **WADTDR:** Weighted Average Domestic Term Deposit Rate; **WALR:** Weighted Average Lending Rate
MCLR: Marginal Cost of Funds-based Lending Rate

Source: RBI

Centre sails through this fiscal's first borrowing of ₹19,000 crore

ANUP ROY
Mumbai, 9 April

The first borrowing of the fiscal year saw the Reserve Bank of India (RBI) pay a higher coupon than the prevailing market rate as traders took guard for an impending deluge in supply.

The government borrowed ₹19,000 crore from the markets, with the full amount being subscribed.

The cut-off yield for the de-facto 10-year benchmark paper — used to raise ₹10,000 crore — came in at 6.53 per cent. The cut-off was 6 basis points (bps) higher than the prevailing yield, and 22 bps higher than what it was when state governments' bond auctions happened on Tuesday.

However, the cut-off yield for the 10-year bond was just 2 bps above the consensus expectation, according to *Bloomberg*.

The 10-year bond yields closed at 6.49 per cent, 200 bps above the policy repo rate.

Such a situation is extremely rare for the bond market, and the expectation now is that the RBI will come with an announcement of a direct secondary market bond purchase.

The government also raised ₹6,000 crore through a 40-year maturity paper and ₹3,000 crore through a paper maturing in two years. The bids were good enough in numbers, with the 10-year bonds receiving 290 bids.

"The cut-off was along expected lines. Till the lockdown continues, market interest will be limited. But in this period, if yields keep going higher, market sentiment will turn negative," said Badrish Kullhalli, head (fixed income), HDFC Life Insurance.

"Markets are of course thin, and coming on the heels of the state government auction, the higher yield was probably expected. Markets remain anxious of borrowing numbers, especially when a large economic package is needed to get the economy going," said Harihar Krishnamurthy, head of treasury at First Rand Bank.

The market is closely watching fiscal measures undertaken by the government. "The stress in the market is apparent, and though cut-offs were near market expectations, the fiscal announcements towards relief measures is testing the markets' nerves," said Gopal Tripathi, head (treasury), Jana Small Finance Bank.

States borrowed at 150-200 bps above G-Secs, or more than 450 bps above the policy repo rate. Kerala paid 8.96 per cent for a 15-year bond on Tuesday, when the equivalent maturity government security closed at 6.92 per cent. The government need to borrow ₹4.88 trillion in the first half, in the present environment.

The huge response to the targeted long-term repo operation (TLTRO) by the RBI indicated that banks want liquidity support. The central bank was auctioning ₹25,000 crore for a three-year period. However, the bids received amounted to ₹1.13 trillion. The money raised through the TLTRO is to be used specifically to buy corporate papers.

"It shows that banks are not willing to invest their own money for these papers, and are hence shifting the risk to the RBI," said the head of treasury of a bank.

The rupee strengthened a little following cues from the equity market. The partially convertible currency closed at 76.28 a dollar, up from its previous close of 76.34 a dollar.

HOW MUCH GOVT BORROWED

Bonds	5.09% G-Sec 2022	6.45% G-Sec 2029	7.19% G-Sec 2060
Notified amount	₹3,000 cr	₹10,000 cr	₹ 6,000 cr
COMPETITIVE BIDS RECEIVED			
Number:	174	290	180
Amount	₹19,384 cr	₹24,545 cr	₹14,394 cr
Cut-off yield (%)	5.09%	6.53%	7.19%

RBI admits GDP forecasts were off the mark

ARUP ROYCHOUDHURY
New Delhi, 9 April

The Reserve Bank of India, in its April Monetary Policy report on Thursday, admitted it had failed to gauge the extent of the slowdown in India, even before the Covid-19 pandemic, primarily due to a greater-than-anticipated contraction in gross-fixed capital formation and continuing weak activity, especially in the rural areas.

According to the official data, gross domestic product (GDP) growth for third quarter of 2019-20 (October-December) came in at 27-quarter low of 4.7 per cent. The GDP growth for the second quarter (July-September) was revised upwards to 5.1 per cent from 4.5 per cent. In its October 2019 report, the RBI had projected second quarter growth at 5.3 per cent and third quarter growth at 6.6 per cent.

"Actual outcomes in terms of the CSO's second advance estimates undershot these projections by 20 and 190 basis points in Q2 and Q3, respectively. The downward surprise in Q2 stemmed from a stronger-than-anticipated drag from gross fixed capital formation and marginal weakness in private final consumption expenditure. In Q3, projection errors emanated mainly from a steep unanticipated contraction in gross fixed capital formation, which was the deepest in the new series of GDP," it said.

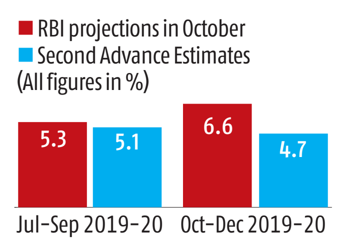
"The deterioration in aggregate demand conditions in 2019-20 was exacerbated by contraction in investment, and moderation in government expenditure in H2. On the supply side, agriculture and allied activities accelerated, buoyed by the late surge in south-west monsoon rainfall and bountiful north-east monsoon precipitation," the report said.

"However, industrial growth decelerated, led by a manufacturing slowdown. Services sector activity moderated, pulled down by a slowdown in construction; trade, hotels, transport and communication; and public administration, defence and other services," the report stated.

The RBI said there was a marked downturn in gross-fixed capital formation (GFCF) from July-September. GFCF saw a year-on-year contraction of 1.3 per cent in 2019-20, the report said.

"The Covid-19 outbreak and the lockdown are expected to bring down the aggregate demand drastically. The Centre has announced a slew of measures to offset the adverse impact on rural demand. However, given the severity of the pandemic, rural demand is expected to go down further at least in the near future," the report stated.

RBI FORECAST VS CSO DATA



Freeze asset quality norms: RBI director

ABHIJIT LELE
Mumbai, 9 April

The prudential norms for asset quality and provisioning should be kept in abeyance for the 2019-20 fiscal year to support the banks that are assisting borrowers hit by lockdown and slowdown, said Satish Marathe, a Reserve Bank of India (RBI) director.

Marathe has written to the PM, saying banks be allowed to rework working capital limits

In a letter to Prime Minister Narendra Modi, Marathe said the ongoing lockdown and the earlier slowdown had not only disrupted operations of manufacturing units but also crippled supply chains and small and retails businesses.

As part of a package to revive businesses, rules relating to downgrading of borrower accounts and reporting to credit information companies should be suspended for FY20, the RBI director said.

Marathe will discuss these issues with RBI Governor Shaktikanta Das and explore feasibility for convening a board meeting.

He said banks should be allowed to reschedule all borrowable accounts, wherever necessary, without the same being downgraded. Banking entities should get freedom to fund accrued or unpaid interest, which be allowed to pay in six monthly installments commencing from October 1.

He also said that banks should be allowed to rework working capital limits with reduced margins of 15 per cent and 25 per cent for all stocks and book debts, respectively.

Coronavirus to affect retail lending business hard

Banks, finance firms may do more retail lending biz on digital platform

ABHIJIT LELE
Mumbai, 9 April

With a demand destruction, following the coronavirus (Covid-19)-driven lockdown, retail lending may no more be a steady source of business and revenue for banks, at least in the current financial year (FY21).

Delinquencies in unsecured loans are already on the rise. Now, other segments of retail loans — auto and consumer durables — may witness an upward trajectory in defaults.

Senior bank executives said with little or no investment demand from the corporate sector for the last many quarters, banks and NBFCs have been focusing on the retail segment — individual and households — to hawk consumer durables credit as well as housing and personal loans.

The first cut assessment indicates shock from the coronavirus outbreak is going to be much severe with a scale much higher than the global financial crisis in 2007-2008. Delinquencies could also be on the rise on the already stressed books, bankers said.

A SBI executive said the bank had indicated an 18 per cent rate for expanding retail loan in FY21. But that was in February, before Covid-19 hit the world. The target would certainly be revised downwards when the bank gets back to the drawing board to assess business prospects in the changed environment. Its retail loan book grew 17.5 per cent year-on-year (YoY) to ₹7.19 trillion till the end of December 2019.

At present, the focus is on supporting bank staff and meeting their needs when the working and commuting to branches has become a challenge, said the SBI executive. The retail loan business of banks in segments like home loans and credit cards has expanded at a steady pace of over 15 per cent YoY for over two-and-a-half years. This contrasts with the dip in economic growth. The segment clocked 17 per cent growth (YoY) in February 2020, according to Reserve Bank of India (RBI) data.

Prakash Agarwal, director and head of financial institutions, India Ratings, said the retail segment was giving substantial revenue to banks. Now, with disruption due to the Covid-driven lockdown, this revenue stream will also come under pressure.

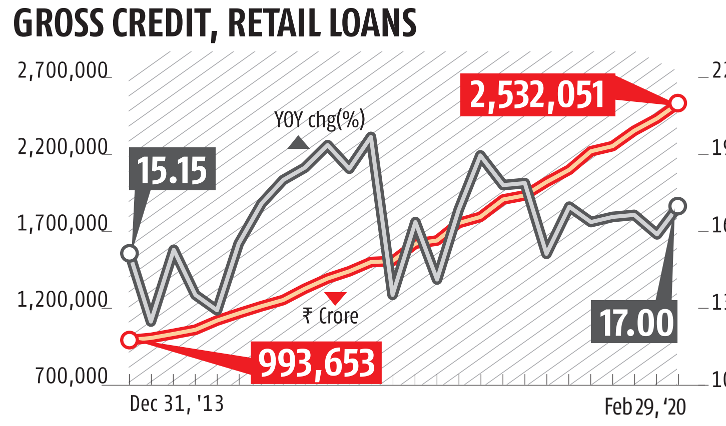
The RBI has permitted a three-month moratorium (March-May 2020) on payment of loans as an initial step to support those hit by the crisis. The picture is still evolving and further extension (of moratorium) will depend on severity of challenges, said Agarwal.

The expansion in retail segment will be hit badly as the Indian economy may contract or post a very small growth. The effects may not be visible immediately, but would be known in the coming quarters as it happened in the case of demonetisation.

Navin Chandani, chief executive officer (CEO), CRIF High Mark, a credit information bureau, said there will be a constructive fallout from the current situation for digital banking.

Banks and finance companies may do more lending business in the retail segment on the digital platform – KYC (know your customer protocol) and underwriting. The lending strategy will be fine-tuned for specific segments, keeping in mind risks and policies, he added.

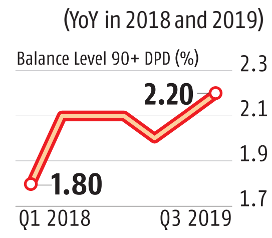
GROSS CREDIT, RETAIL LOANS



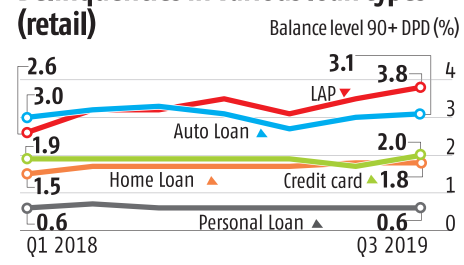
Source: RBI/Bloomberg
Compiled by *BS* Research Bureau

Overall delinquency in retail loans

(YoY in 2018 and 2019)



Delinquencies in various loan types (retail)



Source: Credit Information Bureau
Q1 is January-March as CIBIL follows calendar year

Three weeks into lockdown, NCR's export engine stands still

SUBHAYAN CHAKRABORTY
Noida, 9 April

The dust never seems to settle in Noida. As the infamous north Indian summer sets in, the afternoon haze blocks out the huge, empty residential tower complexes dotting the road between Noida and Greater Noida.

Developers of some of these unfinished properties had last year planned to sell the adjoining plots to the government under a proposal creating two major industrial hubs.

A scheduled opening in May is now out of the question, says Manoj, a tea seller. He points to rows of trucks laden with building materials, cordoned off and abandoned on the road for weeks now.

Up to 95 per cent of units in the Noida-Greater Noida mega industrial zone are currently shut, according to the sub-divisional magistrate's office, Noida.

Hugging Delhi, Uttar Pradesh's Gautam Buddha Nagar district accounts for the vast share of electronics, engineering and apparel exports from northern India. It also leads the state with more than 58 positive Covid-19 cases.

Now, this industrial megacity, priding itself as the Centre's biggest and most effective export cluster, is looking at major losses.

At its core, the region's only government-run special economic zone — Noida SEZ — had just seven of the 274 manufacturing units running on Tuesday.

Set on a sprawling 310-acre parcel, the SEZ has sector-specific facilities for thrust areas like gems and jewellery, electronics, and software. One of the very few landlocked SEZs created by the government, it promised a wave of employment for low- and semi-skilled people of the surrounding hinterland.

As of January last year, nearly 40,000 people worked at the site, churning out an annual ₹90 billion.

A lone employee works at the Sahasra Electronics main production facility, inside Noida SEZ

PHOTO: DALIP KUMAR

Bad to worse

"All those people are out of job now. Given the situation, it would be very difficult to reach optimum production levels, let alone these figures, even if the lockdown ends soon," said Amrit Manwani, managing director of Sahasra Electronics, one of the handful of units that remain open. A maker of medical electronics, including those for ventilators, Manwani was making the rounds of the district magistrate's office on Tuesday.

Even essential businesses struggle to open across the Noida-Greater Noida mega industrial zone

"We employ more than 200 people at two units, but finally managed to get clearance for barely 20 of them. It would be very tough to meet export obligations now," he said.

Getting shipments out is another major challenge as most international players like Fedex and Gati now say that consignments need to be dropped at the airport, since their trucks continue to face trouble on the roads, he added.

Even pharma, chemicals, and food-producing factories, which are currently allowed full exemption, allege that bureaucratic logjams, and in certain cases corruption, have become the norm to get requisite certificates. "There was certainly no uniformity in the way authorities are handing out the certificate for necessary businesses," Sushil Kant Gupta, owner of another running unit, said. His rubber- and plastic-manufacturing factory managed to reopen after remaining shut for a week.

Many businesses couldn't track the flood of notifications from central and state industry agencies when the lockdown began. As industry associations began lobbying, many firms had hoped to secure an exemption.

Shashi Kant Mittal, proprietor of Gold Craft International, owns one of the largest jewellery units inside the SEZ.

"I managed to convince some of the key staff to stay back, hoping major forex-earning sectors would be allowed to remain open. But they shut us down," he said.

Now, 17 of his employees remain stranded on the 2,500-square metre premises. "Getting food and water is not an issue, but if only I had got my shipment of gas cylinders, polishing work could have been continued," Mittal, a businessman at heart, lamented.

Myriad troubles

In posh Sector 59, the corporate headquarters and main distribution hub of Kent RO, which leads the water purifier market nationwide, are locked.

"I have requested the district magistrate's office that at least our servicing personnel need to be allowed to operate and make house calls, so that broken or malfunctioning water purifiers can be repaired. Still I am waiting for a response," said Chairman Mahesh Gupta.

The situation is worse across the road, in the gritty lanes of Noida's electronics city, home to hundreds of small-sized components makers. "The power supply failed a couple of times recently. If the temperature rises a couple of degrees, the chemicals stored at our plant could become a major hazard. We can't get anyone to move them," said Manohar Kumar, the lead manager at a printed circuit board making unit.

Amid the chaos, one of the few positive outcomes of the lockdown has been the sudden jump in salaries of watchmen. This followed a scramble by businesses to hire armed guards to watch over massive, depopulated industrial estates that remain packed with inventories worth millions of dollars. But not everyone is happy.

"I used to make ₹1,000 a week earlier. Last week, the manager promised me ₹500 per day, but I am yet to receive a penny," said a visibly miffed Suraj Lal, alone guarding a massive warehouse filled with garments at an industrial estate on Dadri Main Road.

Industrial output up 4.5% in Feb, highest in 7 months

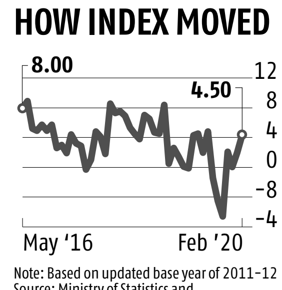
Economists predict production will dip in coming months due to Covid-19 crisis

SUBHAYAN CHAKRABORTY
New Delhi, 9 April

A rebound in manufacturing activity pulled up February's overall industrial output, helping it to grow to a seven-month high of 4.5 per cent, up from January's 2 per cent. However, the sudden growth came amid worries of growth tapering off in the following months due to the coronavirus disease (Covid-19) outbreak.

The rise in the Index of Industrial Production (IIP) helped pull up cumulative growth in industrial output to 0.9 per cent in the April-February period of 2019-20, the data released on Thursday showed. This was still much lower than the 4 per cent growth in industrial production seen in the same period of the previous year. Broad-based slowdown has meant that output had contracted in four of the 11 months till February.

However, manufacturing output rose 3.2 per cent in February, up from 1.62 per cent in the previous month. The sector accounts for 78 per cent of the index. Moreover, the month saw both mining production and electricity generation shooting up by 10 per cent and 8.1 per cent, respectively, giving industrial output a boost.



Note: Based on updated base year of 2011-12
Source: Ministry of Statistics and Programme Implementation

Lull before storm

Of the 23 sub-sectors within manufacturing, 10 recorded year-on-year contraction. However, economists suggested this was expected to go do steeply in the coming months.

"Industrial growth recorded a broad-based and sharper-than-expected pick-up to a seven-month high of 4.5 per cent in February 2020, suggesting that some parts of the economy were on the path of a gradual revival prior to the escalation of the Covid-19 outbreak. However, the solace provided by this is hollow, as social distancing and lockdowns are likely to result in considerable industrial contraction in March 2020, particularly in manufacturing and electricity, which would likely intensify in April 2020," said Aditi Nayar, principal economist, ICRA.

Most importantly, the capital goods segment denoting investment in industry contracted 9.7 per cent in February. The pace of fall was more than double that of January, when it had been 4.2 per cent. Production in the category remained in the red for the 13th straight month, despite government efforts to open up even more sectors to easier foreign direct investment flows last year.

The IIP database showed that contraction remained entrenched across automobile segments, with motor vehicle production falling 15.6 per cent in February, higher than the 10.6 per cent fall in January. Similarly, output of electronics also reduced by almost 15 per cent in the latest month — higher than the 11.6-per cent fall in the previous month. This comes after the government-ordered rejig of its incentives for domestic production in the sector through an update of the phased manufacturing programme, aimed at reducing imports of electronics goods. But production rise has been slow. Case in point, printed circuit board production took a hard knock in February.

On the other hand, steel and auto components were flagged by the government as sectors pulling down overall IIP growth. Machinery output shrank 6.9 per cent after growing by 1.2 per cent in the previous month.

Consumer demand fizzles

Even before the latest Covid-19 crisis, the data from the beginning of the year shows that production of consumer durables had continued to drop. February marked the ninth consecutive month when production had fallen. Contraction was more pronounced at 6.4 per cent, after January's 4 per cent fall. This reflected low consumption demand, a trend which had remained in place since the festive season in October-November, said Madan Sabnavis, chief economist at CARE Ratings.

Crucially, the consumer non-durables category recorded zero growth in February, after two consecutive months of contraction.

While Nayar expected gross domestic product to contract 4.5 per cent in Q1FY21, Sabnavis stressed the shutdown negated the March-end phenomenon of companies pushing production to meet targets.

Moratorium relief may be extended to unlisted NCDs

SHRIMI CHOUDHARY
New Delhi, 9 April

India Inc is likely to get further relief on the loan repayment front, particularly with regard to unlisted debentures. Sources say the Securities and Exchange Board of India (Sebi) is likely to allow corporate houses to treat unlisted non-convertible debentures (NCDs) as 'term loans'.

This will allow the three-month moratorium announced by the Reserve Bank of India (RBI) to be applied on these instruments. According to sources, Sebi has initiated talks with the RBI on this issue of including both secured and unsecured NCDs under moratorium. "The regulator has received certain inputs in this regard and is in touch with regulators concerned and Ministry of Corporate Affairs for a viable outcome," an official said.

Sources say Sebi has taken up the matter after several corporate houses reached out seeking relief as some raised significant amount of money through NCDs.

"Unquoted/unlisted debentures shall be treated as term loans or other types of credit facilities depending upon the tenure of such NCDs for the purpose of income recognition and asset classification," said an executive of one of these companies, adding that some NCDs have been subscribed by banks and non-banking financial companies (NBFCs) and are unlisted.

CORPORATE BONDS/NCDs ₹ crore

YEAR	LISTED	UNLISTED	TOTAL
2017–18	565,696	99,379	665,074
2018–19	569,024	85,990	655,013
2019–20 #	593,664	64,405	658,069

Tentative
Source: PRIME Database

These firms are learnt to have cited RBI's 2017 circular that defines term loan, which are repayable after a specified time period. However, despite this they are unable to avail of the facilities in the absence of clarity, he said.

On March 27, the RBI had said lending institutions, including banks, NBFCs, housing finance companies, would be permitted to allow a moratorium of three months on payment of instalments of all term loans outstanding as on March 1. The regulator clarified this would include all loans, including agriculture term loans, and was intended to cover principal and interest component.

In 2019, a large number of NCD issuances happened mostly because banks and mutual funds (MFs) dried up after a series of liquidity crises. Many NBFCs opted for public issuance of bonds to meet the regulatory requirement that large firms need to raise 25 per cent of borrowing through bonds.

The move could benefit MFs, experts said, who invest in such NCDs. "While the moratorium benefits term loans, there are corporates who could be facing disruptions due to the lockdown and hence, could default on MF repayment. To safeguard investors, MFs had requested Sebi to extend the moratorium to debentures," said an industry player.

According to PRIME Database, firms raised approximately ₹64,405 crore in 2019-20 through unlisted corporate bond and non-convertible debentures. While about ₹5.93 trillion worth of public issuances of NCDs were made over the period.

Legally, the unlisted NCD contracts are between the bond holders, debt holders and issuers, which are beyond the purview of regulators, an expert said.

"In a given scenario, the regulator may perhaps step in and come up with proper guidelines involving a certain amount of guarantee, interest return and so on to be provided by the issuer to roll over the unlisted NCDs for a certain period. Clarity on the classification of such an asset class would certainly reduce the risk of default," said Ashvin Parekh, managing partner, Ashvin Parekh Advisory.

From a systemic risk point of view, such measures are in the interests of retail and institutional investors and the issuer as well. Meanwhile, firms should also come up with plans and timelines to allow redemptions to their investors once the present Covid threats withdraw, Parekh added.

Petrol, diesel demand slips 66%, ATF slumps 90% in April so far

PRESS TRUST OF INDIA
New Delhi, 9 April

India's fuel consumption slumped by over 66 per cent in April as a nationwide lockdown halted economic activity and travel, which eviscerated demand.

Petrol and diesel demand is down 66 per cent in April, while aviation turbine fuel (ATF) consumption has collapsed by 90 per cent as most airlines have stopped flying, industry officials said.

India had consumed 2.4 million tonnes of petrol and 7.3 million tonnes of diesel in April 2019. As much as 645,000 tonnes of ATF was used in that month last year.

The collapse of demand in the world's third-biggest consumer during April comes on the back of the worst fuel sales in more than a decade recorded in March 2020. The country's petroleum product consumption fell 17.79 per cent to 16.08 million tonnes (mt) in March as diesel, petrol, and ATF demand fell, according to the official data released here.

CORONAVIRUS PANDEMIC

Diesel, the most consumed fuel in the country, saw demand contract by 24.23 per cent to 5.65 mt. This is the biggest fall in diesel consumption the country has recorded as most trucks went off-road and Indian Railways stopped plying trains.

Petrol sales dropped 16.37 per cent to 2.15 mt in March as the 21-day nationwide lockdown enforced to prevent the spread of Covid-19 took most cars and two-wheelers off road.

With flights grounded since mid-March, ATF consumption fell 32.4 per cent to 484,000 tonnes.

The only fuel that showed growth was liquefied petroleum gas (LPG) as households rushed to book refills for stocking during the three-week lockdown period. LPG sales rose 1.9 per cent to 2.3 mt in March. This is the first estimate of total petroleum product consumption in the country. This includes sales by both public and private sector companies.

Previously, provisional numbers of the three public sector oil marketing companies — Indian Oil Corporation, Bharat Petroleum Corporation, and Hindustan Petroleum Corporation — were released that also showed 17 per cent drop in petrol and 26 per cent slump in diesel sales in March.

Industry officials said the pattern in fuel consumption is continuing in April as the lockdown is to last till the middle of the month and there are indications that part restrictions will continue even after the lockdown is lifted.

Petrol and diesel sales in April are one-third of what they were a year ago, they said, adding demand is expected to pick up when the lockdown is lifted and restrictions on public transport lifted.

LPG sales in April are up 30 per cent, they said, adding these are provisional trends and actual numbers will only be known month-end.

Prime Minister Narendra Modi had announced a 21-day lockdown beginning March 25, shutting offices and factories, barring those involved in essential services. Also, flights were suspended, trains stopped plying, vehicles went off road, and cargo movement stopped as most people were asked to stay indoors to help check the spread of the contagion.

March is the first month in two and a half years when petrol sales have seen degrowth.

Naphtha consumption in March was up 15.7 per cent to 1.38 mt, possibly because of its increased use in power plants. But other industrial fuels such as fuel oil posted 10.4 per cent drop to 482,000 tonnes.

Bitumen, used in road construction, saw 41 per cent drop in consumption to 525,000 tonnes.

In the full 2019-20 (April 2019 to March 2020), petroleum product consumption was almost unchanged at 213.68 mt, compared to 213.21 mt of fuel consumed in the previous 2018-19.

LPG consumption saw a 5.8 per cent rise to 26.3 mt, while petrol sales were up 5.9 per cent to 29.97 mt.

Jet fuel sales slipped 3.6 per cent to 8 mt and diesel consumption was down 1.1 per cent at 82.6 mt.

Diesel sales had shown modest growth in April 2019 to February 2020.

Irdai dismisses call for blanket relaxation of solvency norms

NAMRATA ACHARYA
Kolkata, 9 April

The Insurance Regulatory and Development Authority of India (Irdai) has turned down general insurance companies' request for blanket relaxations related to solvency margins because of the Covid-19 outbreak. However, it has said cases would be considered on merit.

Last month, in a letter to Irdai, the General Insurance (GI) Council had sought relaxations in certain regulatory requirements, particularly those related to solvency ratio. GI Council is the representative body of general insurance firms.

The council had asked for relaxation in calculating available solvency margins (ASM) on account of delays in tenders related to government schemes and also delays in receiving subsidy.

"The authority doesn't see the need for general relaxation. However, any specific issues would be considered on merit," Irdai said in its response.

The council had also said that given the huge mark-to-market (MTM) losses in equity investments in March, Irdai should allow firms not to account for diminution in value in equity investments while finalising accounts for the financial year.

"Insurers are required to adhere to the applicable accounting standards framed by ICAI and authority's regulations/ circulars on preparation of financial statements and valuation of investment," the regulator said in its response. While insurance firms ignore MTM gains, they are required to recognise MTM losses as expenses.

"Though the outbreak was relatively delayed in India, the scare, preventive shutdown, and economic fall are unprecedented, with the impact on markets quite telling. Without exception, the non-life insurance sector is severely burdened and we fear we might have difficulty in meeting regulatory requirements," stated M N Sarma, general secretary of the council, in the letter.

The council has also said firms might be allowed to consider MTM position as on February 29, 2020, as the basis of computing solvency.

Centre raises purchase limit of oilseeds, pulses

Increases daily limit to 40 quintals per farmer a day, from earlier 25 quintals

SANJEEB MUKHERJEE
New Delhi, 9 April

To help farmers quickly sell their rabi harvest of pulses and oilseeds, the agriculture ministry on Thursday decided to increase the daily purchase limit to 40 quintals per farmer a day, from the existing 25 quintals.

That apart, the food ministry in a separate circular allowed states to lift foodgrain from the central pool at a rate marginally lower than what it sells in the open markets for distribution to all those beneficiaries who aren't part of the National Food Security Act (NFSA) but have ration cards issued by the states under their own schemes.

This will allow states to distribute foodgrain to beneficiaries whose names are registered under state cheap food programmes but aren't part of the NFSA.

Under NFSA, almost 810-million population is covered with with caps at state level, while there are some states that provide universal cheap ration at their own expense.

The move follows reports of people not getting the extra free 5 kilos of foodgrain that was to be distributed to the poor as part of the Covid-19 relief measures.

States, according to the latest order, can lift extra wheat and rice from the central pool over and above their regular allocation under the public distribution system at ₹22 per kilo for rice and ₹21 per kilo for wheat.

Food Minister Ramvilas Paswan in a series of tweets said states would be free to purchase wheat and rice directly from the Food Corporation of India at a lower rate for distribution to those whose names don't figure n the existing central beneficiary lists. This reduced price is just 25 paise per kilo lesser than the prevailing open market sale price for wheat and 50 paise per kilo lesser for rice.

For procurement, the agriculture ministry's latest order follows its April 5 decision granting blanket approval to 13 states to immediately start procurement of *chana* (gram) and *masoor* (lentil), the two big pulses grown during the rabi season. The states are Assam, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Kerala, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttarakhand, and West Bengal. These states can start procuring up to 25 per cent of the produce without waiting for the Centre's formal clearance.

The purchases will be made under various existing central schemes, including PM-AASHA (Pradhan Mantri Annadata Aay Sanrakshan Abhiyan), of which price support scheme is a part.

The total rabi *chana* production in 2019-20, according to the government's estimates, is projected to be 11.28 million tonnes (mt), while *masoor* output is projected at 1.39 mt, and the Centre will assist states in purchase up to 25 per cent of that, according to guidelines.

Basmati prices increase by 5% during lockdown

Basmati rice exporters, reeling from suspended shipments to key destinations of Iran and other Gulf countries, have found some support in the firming of domestic prices during the lockdown.

The prices of basmati have appreciated by nearly 5 per cent owing to higher transportation cost and market demand. Top selling pusa basmati variety (PB1121) is trading at about ₹65 a kilo, an appreciation of ₹3-4 per kilo since March 15, Mumbai-based commodity trader and exporter Devendra Vora said. "Basmati has gained traction after the lockdown and the prices have remained firm ever since," he said, adding bulk of the rice stock was still lying with big traders because of lack of transportation. Prices at consuming centres went up while traders are seating on unsold stocks. With exports facing headwinds, farmers are sceptical about lower sowing in the next season, leading to a reduced crop supply and hike in prices. VIRENDRA SINGH RAWAT

'Will consider raising duties on fuel and liquor'

Punjab Finance Minister **MANPREET SINGH BADAL** tells **Dilasha Seth** the state would like to help the Centre in any way possible to deal with Covid-19 pandemic. Edited excerpts:

How is Punjab dealing with Covid-19? Are you deferring salaries and pensions?

Thanks to our large immigrant and non-resident Indian population, Punjab went into a lockdown 20 days before the country did. Because of that, we have had no sale of petrol and diesel and also no revenue from liquor, sales of property and GST. Despite that, the government has very consciously decided to pay salaries in full. From here on, we will have to see how to manage that. I need at least ₹150 crore to fight this pandemic on the health front.

How will you manage state finances when revenues have dried up? Where will you cut spending?

We have issued a circular that we have to conserve resources. We have decided to put a stop on all capital expenditure up to August 1, be it building a railway bridge, hospitals etc.

Will Punjab raise duties such as VAT on petrol and diesel and excise on alcohol?

We will think about that, but there is no decision as of now. We will do whatever is possible. However, at this point, increasing revenues is not an option, but cutting expenditure is. We have asked the ministers to assess how much of costs they can cut.

Q&A
MANPREET SINGH BADAL
Finance minister, Punjab

Has the Centre reverted on clearing your GST dues?

We have asked the central government to clear ₹2,100 crore it owes pertaining to GST arrears immediately. This is with respect to the dispute on base year revenue figures of Punjab when GST came into effect, and Comptroller and Auditor General agreed with our calculation later. Finance Minister (FM) Nirmala Sitharaman assured me in the last Council meeting that the Centre would release the dues in two or three installments. As for the compensation dues, the Centre treat us the way it is treating every other state. We can completely understand the challenge that Sitharaman is facing. She is in a very tight situation. In case they can't give it, we will have to understand. Punjab would like to be in a situation where we could be of any help to the Centre rather than be a drag. Of all the states that went in for GST, Punjab was affected the most as we would get tax on our foodgrain. Our state was structurally damaged due to that. Therefore, compensation is very crucial to Punjab. Nevertheless, FM has assured us that the ₹2,100 is forthcoming.

In your engagement with the Centre, what is it that you have asked for?

We have asked the Centre to increase our limit under the Fiscal Responsibility and Budget Management Act from 3 per cent to 4-5 per cent. The worry is whether our financial institutions and banks can take the weight. I see the share value of several banks on the edge, unless there is infusion the road ahead will be tough. The Centre should mobilise ₹4-5 trillion through sale of assets. But I am not advising the Centre. These are just thoughts that have crossed my mind.

How is the state dealing with the situation from the health care point of view and the shortage of testing kits?

We have a good health care system, but we need to make emergency purchases. There is shortage of testing kits, so we are asking the Centre to these. We have constituted a purchase committee. As the saying goes, '*jab aag lagi ho, toh mashko ke rate nahi puche jaate*' (when there is fire, you don't ask for price of water bags).

The Centre has recently released State Disaster Risk Management Fund. Is that of help?

There is a lot of *josh* in the population of Punjab. In Bathinda, the constituency that I am in charge of, people are donating a lot. In fact, people are spoilt for choice. It is not about hunger here. Recently, I saw that people were giving their preference of '*paneer*' over '*chole*' at one such distribution activity. So far, we haven't had to touch even a single rupee given by the Centre.

Mitigating the bullying effects of power

To win in life, you don't require ambition for its own sake. Leaders need to think of humility as being in the service of ambition

THE WISE LEADER

R GOPALAKRISHNAN

I received positive reader responses to my last column (Beware of competence without humility or humanity, March 13). One reader posed a tricky question: Why are so many leaders arrogant if it is obvious that humility is very important? I had to delve back into my readings and available research.

Ambition is about glory; humility is about burden and suffering. Do ambition and humility mix at all?

The word "ambition" originated from the Latin *ambitionem* which meant canvassing; it used to have a negative connotation. Plato and Aristotle preached that ambition was no virtue because it meant politicians wanted glory more than its burden; in this traditional view, ambition and humility just do not mix.

Bill Taylor discussed this in HBR (October 15, 2015) mentioning the widespread impression that humble people cannot be ambitious. Massachusetts Institute of Technology leadership professor, Edgar Schein, says this is exemplified by newly-promoted managers, who responded that now "they can tell others what to do". This reality that "I am now the boss" lay at the root of the problem.

A Nike hoarding in the 1996 Atlanta Olympics asserted, "You don't win silver, you lose gold". If you are not winning, you are losing because life is forever competitive.

Regrettably this widely held belief is wrong. To win in life, you don't have to be ambitious per se. Leaders need to think of humility as being in the service of ambition.

While ambition seeks overarching goals, humility acknowledges dependence on others to achieve it. If "conquest at any cost" is your ambition, then unbridled arrogance and ill-treatment of the vanquished follows. Roman general Coriolanus said, "I do not want the job, but only the honour." History bears witness that leaders' ambitions were often to conquer territories and to vanquish foes. In contrast, note what Haider Ali told son, Tipu Sultan, on his deathbed, "While we may seize a crown, the crown may escape us if we do not entrust to the love of people."

Roman emperors were bloody. Tiberius sank into morbid suspicion of everyone and his ways of power were chilling and monstrous. His successor, Caligula, developed early paranoia and, with it, highly erratic behavior. Nero was an emperor whom everybody loved to hate. And the list goes, for all of three hundred years.

Aurangzeb may well qualify as the cruelest Mughal Emperor. Despite Audrey Truschke's (Professor of South Asian history) argument that "India's most loathed Muslim evil-doer was not so heinous after all", Aurangzeb was no humane or humble leader. The central Asian custom was that all male family members had equal claim to political power, so family fratricide became inevitable. Aurangzeb had the head of elder brother, Dara Shukoh, carried around the streets. Aurangzeb was hugely successful in growing and expanding the empire; paradoxically, he claimed that his main pursuit was to be a fair and ethical ruler but also said "an emperor ought to stand midway between gentleness and severity".

On one occasion, Aurangzeb told his father that "skilled conquerors are not always skilled rulers". Now, apply this to modern times.

Among corporate titans, some leaders are so acquisition-focused that they fail to deliver the benefits of the acquisitions to their shareholders. They leave hopelessly extended and financially weakened business empires for their successors. In my book, *Crash: Lessons From the Rise and Exit of CEOs*, I referred to this malaise when I argued, controversially in hindsight, that power temporarily damages the brain of leaders. I had quoted psychology Professor Dacher Keltner, who concluded that leaders "act as if they had suffered a traumatic brain injury". Professor Ian Robertson of Trinity College Dublin pointed out that "when power is unconstrained by democratic controls or good systems of governance, power holders may show undesirable distortions in judgement, cognition and behaviour".

Among the ways to mitigate the bad effects of power, strong corporate governance and stalling the blatant or repeated misuse of power are key.

Arrogance is seen in public life as well. An editorial in *Business Standard* on March 22 had pointed out the discourtesies of ministers when it came to their officers. Nirmala Sitharaman's outburst in Assam against SBI Chairman Rajnish Kumar was distasteful. So too was Sanjay Gandhi's boorish treatment of then SBI Chairman, R K Talwar, as well as Rajiv Gandhi's inelegant announcement about changing an Indian Foreign Secretary. As the *BS* editorial avers, "a bullying culture is embedded in the hierarchical underpinnings of Indian society".

The author is a corporate advisor and distinguished professor of IIT Kharagpur. He was director of Tata Sons and vice-chairman of Hindustan Unilever
rgopal@themindworks.me

Bouncing back after Covid-19

The National Infrastructure Pipeline is clearly the mega-stimulus for the post-corona revival effort

INFRATALK

VINAYAK CHATTERJEE

There is now little doubt that the coronavirus pandemic has had, and will continue to have, deep and long-term effects on the economy. Even if, in a couple of months from now, the all-clear is given, it will take a much longer time after that for the Indian economy to get back on its feet. The crisis has come when growth in the economy was already weak. What will be needed, when the time comes, are massive investments, across the economy, but especially in infrastructure, to provide the kick-start that the economy needs. It is in this context that the National Infrastructure Pipeline (NIP), announced by the government towards the end of last year, becomes much more urgent.

The plan, as announced, involves a road map toward ₹102 trillion of investment across infrastructure sectors between 2020 and 2025. Roads, urban development and housing, and railways are expected to receive close to 50 per cent of the investment. Governments (central and state, and including state and central public sector undertakings), will account for close to 80 per cent of the total capex in the project, leading to criticism that this is a step back from the earlier "big-push" projects where the private sector was offered a much greater role. But this is a pragmatic decision, given the current financial weaknesses in the private sector in the past few years. Currently, the private sector simply does not have the capacity to play a substantial role in such a large-scale project, at least initially.

Another concern was around the size of the plan itself, and whether governments (especially state governments), could afford such large investments given the weak tax revenue growth and the overall state of the economy. The heavy involvement of central and state government undertakings in the financing plan, mean that such concerns will be mitigated to some extent. But this criticism misses the bigger picture here: The crisis caused by the coronavirus pandemic. It is in this context that the NIP should be seen — as part of a giant stimulus package for the overall economy.

The world over, it is now acknowledged that the economic effects of the coronavirus crisis are beginning to rival, and in many cases exceed, that caused by the 2008 credit crisis. Last week, the United States announced the biggest ever jump in unemployment benefit claims as millions of Americans were laid off. Chinese industrial production fell by 13.5 per cent in the first two months of this year. The Organisation for Economic Cooperation and Development has already forecast that the world economy could grow at its slowest rate since 2009.

At this time of crisis, governments around the world, irrespective of ideology, have lost no time in announcing substantial stimulus packages. The US Senate for example, has already announced a giant $2 trillion stimulus for the US economy. In the American political context where opinions on "big government" are fiercely divisive and split along party lines, it is remarkable that the package was passed unanimously.

Such huge stimulus packages are needed. In the wake of the 2008 crisis for example, China announced a massive $586 billion stimulus package for its economy to be implemented over a period of two years — this amount was equivalent to about 16 per cent of China's pre-crisis GDP. It is widely acknowledged that the massive scale of the stimulus package meant that Chinese industry was able to bounce back relatively quickly.

And while the size and scale of China's stimulus did cause problems later — a massive debt pile for local governments across that country — it ensured that China recovered much faster than many other countries. In contrast, the European Union, with its tight fiscal rules, saw years of weak growth and persistent crises in some countries, well into the last decade.

Given this context, the NIP isn't in fact, wildly ambitious — it amounts to about 7-10 per cent of GDP annually. Further, around 42 per cent of the total amount of ₹102 trillion covers projects already under implementation. In fact, it is fair to say that the government could scale up the NIP's ambitions even further, given the potential size of the impact on the economy from the current crisis.

But the real key to any successful infrastructure investment plan lies not in the absolute size of capital expenditure but the reforms that go along with it. Sector-level reforms will ensure the biggest "bang for the buck", while at the same time maximising the chances that the private sector will participate in the pipeline in a big way in the years to come.

What's encouraging is that the NIP understands this and supports a range of reforms, which private sector infrastructure players have been talking about for a long time — optimal risk sharing, with the private sector taking on only those risks it is able to bear, adoption of international contract standards, and effective systems of dispute resolution. It further talks about revitalising the infrastructure finance landscape, as well as re-enabling the sale of existing and operating infra assets currently owned by government agencies, thus freeing up resources for further investment.

The reforms promised, along with the size of investments, will ensure that the NIP plays a key role in kick-starting the economy and seeing it through the crisis.

The author is chairman of Feedback Infra

CHINESE WHISPERS

Friendly gesture

The growing bonhomie between the ruling Bharatiya Janata Party (BJP) and the Bahujan Samaj Party (BSP) became the talk of the town (Lucknow) after BSP chief Mayawati asked her legislators to cooperate with the Uttar Pradesh government in the collective fight against coronavirus. Following her call, UP Chief Minister Yogi Adityanath called Mayawati to express his gratitude. The Dalit leader then advised the central and the state governments to take decisions keeping in mind the hardships of the poor. She suggested the central and the various state governments work hand-in-hand. Mayawati also promised to support all initiatives of the government that seek to benefit people "without any discrimination".

App-osite decision

Amid growing concern that schools and colleges will more or less remain shut till the end of June due to the Covid-19 outbreak, the Madhya Pradesh government has launched a mobile app, Top Parent, to help students continue with their courses. Students from class I to XII with Android phones can access study material for subjects including Hindi, English, mathematics, and science. The app, launched by the Department of School Education, has connected more than 250,000 teachers and students. What is most interesting is that the app has a tool to assess the progress of students and prepare report cards to be reviewed by the parents. Launching the app, Chief Minister Shivraj Singh Chouhan requested students not to step out of their homes and continue their studies using the app.

Jail is safer than bail

The Bombay High Court has deemed that life in jail is better than life outside. A resident of suburban Ghatkopar had sought temporary bail, citing the pandemic. The high court refused to grant bail to the accused, saying it could not put him at the risk of contracting coronavirus. The situation in jail was much better than that in the city, Justice G S Patel observed while hearing a bail plea filed by Jitendra Mishra, a murder accused who is lodged in Taloja prison in Navi Mumbai for the past 18 months. Justice Patel, who heard the plea through video conference, said, "The jail authorities are better equipped than the municipal authorities outside, especially in Worli Naka (central Mumbai)." Worli Koliwada in central Mumbai has emerged as one of the Covid-19 hotspots in the city.

INSIGHT

Germany will be a post-coronavirus winner

Fiscally sound governments will be able to pump money into their companies unhindered by state-aid rules

ELENA CARLETTI, MARCO PAGANO, LORIANA PELIZZON & MARTI G SUBRAHMANYAM

All great economic crises pose two equally important challenges: they drain the liquidity necessary for the functioning of businesses, large and small, and burn up their equity capital, or a substantial part of it. Of the two, the former is the immediate challenge amid the coronavirus-induced lockdowns. Providing liquidity to companies is the top priority to ensure their survival. Yet this doesn't guarantee their healing, or their ultimate durability and growth. Equity capital, the stuff that's needed to invest and thrive, is essential to the second stage of recovery.

Today, many businesses have seen their revenues almost vanish and, therefore, find themselves in a severe cash crunch. Various proposals have been put forward to funnel money to businesses before they're forced to lay off employees, cancel their supplies, and close their doors. One of these proposals is to have the European Investment Bank — the European Union's lending arm — provide a liquidity lifeline to the continent's firms, in the form of immediate, massive funding at zero interest to enable companies to meet their expiring debt obligations, with backup funding provided by the European Central Bank.

This is a step in the right direction, but it's not enough by itself: It keeps the patient on life support, but doesn't let them recover. Indeed, as liquidity reaches companies through loans, it increases their leverage through greater debt and, therefore, their default risk, leaving them with little room to invest and grow.

So where does the necessary capital injection come from? It can hardly come from households, which are also suffering a tremendous loss of wealth. In fiscally stressed countries like Italy it cannot come from the state either; high pre-crisis public debt levels, compounded by the current run-up in deficits, will stand in the way.

In striking contrast, recapitalisation with government funding will be substantial in fiscally strong European countries, especially in Germany. There, the state, with its accounts in good order, and with the newly-acquired exemption from the EU ban on state aid, will go ahead with robust capital injections into domestic companies, and with outright nationalisations in some industries.

Recapitalisation with government funding will be substantial in fiscally strong European countries, especially in Germany. There, the state, with its accounts in good order, and with the newly-acquired exemption from the EU ban on state aid, will go ahead with robust capital injections into domestic companies

Post-crisis, the likely scenario is that many under-capitalised companies from fiscally stressed countries will face competition from stronger foreign rivals strengthened by massive state aid, so that markets will be very far from the "level-playing field" pursued for decades by the EU competition authorities. This will be a further cause of weakness for the indebted nations, and will make their growth rate diverge from the EU average.

In addition, European companies in fiscally strong countries will be able to use their newly acquired advantage, owing mainly to state aid, to compete more aggressively, or even to take over weaker European competitors, thus disrupting competition not only in Europe's product markets, but also in its capital markets.

Is there an alternative to this dark scenario, which portends the end of the European dream for all practical purposes? We see the only path forward as coordinated intervention at the European level, through the creation of a pan-European equity fund, financed by the EIB. This fund, which would underwrite the issue of new equity capital in companies across Europe, would also be open to participation from long-term investors such as global asset management firms, pension funds and sovereign wealth funds. It could be accompanied by the issuance of very long-term bonds.

It's crucial to establish strict rules to determine how this fund should choose which companies to invest in. First, it would have to finance businesses that were hitherto profitable and growing before being hit by the Covid-19 crisis, not those that were already financially stressed. Second, the fund would only have to finance companies that hadn't already received state aid, because its purpose would be to rebalance capital injections between firms supported by governments and firms that aren't. Third, the funded companies would be required not to distribute dividends or repurchase their own shares for some time, to prevent the injection of capital from benefiting existing shareholders rather than enabling new investment. Fourth, the compensation of the top management of these companies would be frozen at pre-crisis levels, say for three years. Fifth, the fund would be governed by managers, independent of the national governments, and wouldn't acquire controlling stakes in the companies in which it invests, so as not to become a source of disruption itself.

The economic rationale for creating such a fund is that it would allow European companies to invest and compete only based on their profitability, regardless of the fiscal capacity of their respective states.

The entity we propose would be the most ambitious and far-sighted mechanism for enforcing the risk-sharing that today — more than ever — appears to be the truest reason for being part of the European project. Never has it been clearer how much the common good depends on the responsible behaviour of all concerned: the costs that each country incurs in fighting the virus limit its spread across borders and, therefore, also benefit other countries. In a similar manner, after the crisis, greater growth across all countries, not just in a few, will benefit all European citizens. This is the only way to keep the European dream alive.

LETTERS

Not a good idea

Brazilian President Jair M Bolsonaro referred to *Ramayana* on Hanuman Jayanti while asking Prime Minister Narendra Modi for help in battling the shortage of medical supplies in Brazil due to the onslaught of Covid-19. The Brazilian president was quoted as saying, "Like Lord Hanuman brought the holy medicine from the Himalayas to save the life of Lord Ram's brother Lakshman... India and Brazil will overcome this global crisis by joining forces..."

This request from the Brazilian President is, however, not unexpected, as it is commensurate with the global role India is playing amid the coronavirus crisis. India has emerged like a messiah as the world fights Covid-19, with more than 30 countries requesting PM Modi to export hydroxychloroquine to fight the virus. Although India is helping the SAARC nations with supplies, exporting the medicine, touted to be the "game changer" against the coronavirus, to 30 other nations does not seem like a good idea, especially with numbers increasing manifold in our own country.

Gaurav Agarwal Guwahati

Choose the lesser evil

This refers to the editorial "End lockdown or not?" by Shankar Acharya (April 9), in which he has cautioned that extending the nationwide lockdown could well lead to more deaths. This fear should not be dismissed as being alarmist. There are also suggestions for the release of excess stocks of the Food Corporation of India to the states for free distribution (or at nominal price) amongst the poor, as the emergency cash transfer has several limitations. With the International Labor Organisation predicting that about 400 million Indians face the risk of being pushed into poverty because of the stringent nationwide lockdown, one hopes that while deciding on the lockdown beyond April 14, this unintended collateral damage would be factored in. The huge economic costs of the lockdown affecting the economy, already in a downswing, need to be considered. The Prime Minister needs to take a considered call on this.

S K Choudhury Bengaluru

Try a staggered return

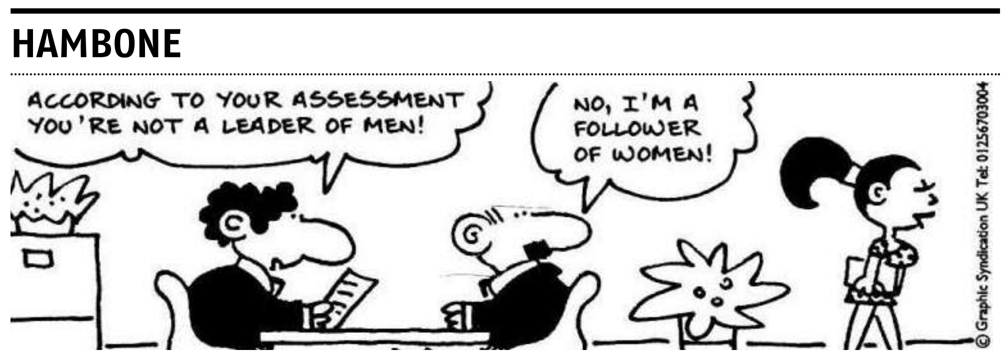
This refers to the editorial "End lockdown or not?" by Shankar Acharya (April 9). The author's well-reasoned argument, going against the majority view, makes social and economic sense. If the lockdown is continued in the present form, the hands that feed us will have no compunction about hitting the streets soon, following the ancient saying "*vubhukshitah kim na karoti papam*" (a hungry person knows no sin)". The concepts of working from home and social distancing do not work for a farmer, small trader, helps, drivers, labourers and so on. An extended lockdown could give rise to social unrest.

The lockdown is also systematically destroying the supply chain mechanism, severely affecting the farming community like the proverbial last straw that broke the camel's back. The economy, which was earlier lying on a stretcher, is now heading straight into the ICU. The solution lies in opening up economic activities in a staggered manner.

Ganga Narayan Rath Hyderabad

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 · E-mail: letters@bsmail.in
All letters must have a postal address and phone number

HAMBONE



Business Standard
Volume XXVI Number 255
NEW DELHI | FRIDAY, 10 APRIL 2020

A responsible consumer

Strategic oil reserve is an important tool during ongoing crisis

The government's decision to bolster petroleum stocks in India's strategic reserve makes sense on multiple levels and should be welcomed. On the one hand, it of course makes basic economic sense to buy more when prices are low. While the price of a barrel of crude oil in the international market has rebounded from the lows it saw at the beginning of the month — Brent crude was trading at under $25 a barrel on April 1, and is now $10 a barrel higher — it is still almost $22 a barrel cheaper than the average of the past year, which was $57.70 per barrel.

India's storage capacity in its strategic petroleum reserve is not as high as would be convenient at this point — at under 40 million barrels. This would satisfy Indian demand for less than 10 days. However, at the moment, there is space for only about additional 15 million barrels at oil-storage farms located in Mangalore, Vizag, and Padur. The question is where the additional oil will come from. While the government had originally made efforts to tie up with West Asian oil producers to have them store their own oil on Indian soil, that attempt has not yet fructified. It has thus been reported that the government will seek to buy or commandeer the oil to fill these caverns. While, according to Bloomberg, attempts continue to buy over 5 million barrels from the United Arab Emirates and over 9 million barrels for Padur, it has also been reported that the government has directed state-owned refiners to deal with the collapse in domestic demand, which has caused them to operate at 50 per cent capacity by storing their excess crude oil supplies in the strategic petroleum reserve. Details of how the refiners will be compensated are as yet unclear.

Storage is at a premium at the moment since across the world, oil facilities are filling up — to the extent that Citigroup has said that worldwide, floating and other stocks could rise by a billion barrels in a single quarter. The global storage capacity is over 6 billion barrels, but only 1.6 billion barrels worth of capacity is empty at this point. A shortage of storage capacity has forced some producers in the US to lower their prices below zero — essentially paying people to take away their oil. South Korea and China have been proactive in recent years in building up their oil storage capacity. India should be working to follow suit; almost 50 million barrels of additional capacity is planned, but that would take India to just over 20 days' worth of imports in its reserves. It should seek to have more than a month's at least.

This would also be an important time for India to signal that it is a responsible consumer of petroleum, with a stake in stabilising the crude oil market. Amid continuing disputes between the US, Saudi Arabia, and Russia about possible output cuts, and as India's oil minister heads to a meeting of G-20 energy ministers on Friday, it should be clear to the major producers that India seeks a stable energy supply chain at a remunerative but affordable price. Supporting the effort to keep output flowing and addressing the storage deficit are important steps in that direction.

Checking fake news

WhatsApp is taking welcome steps to contain the menace

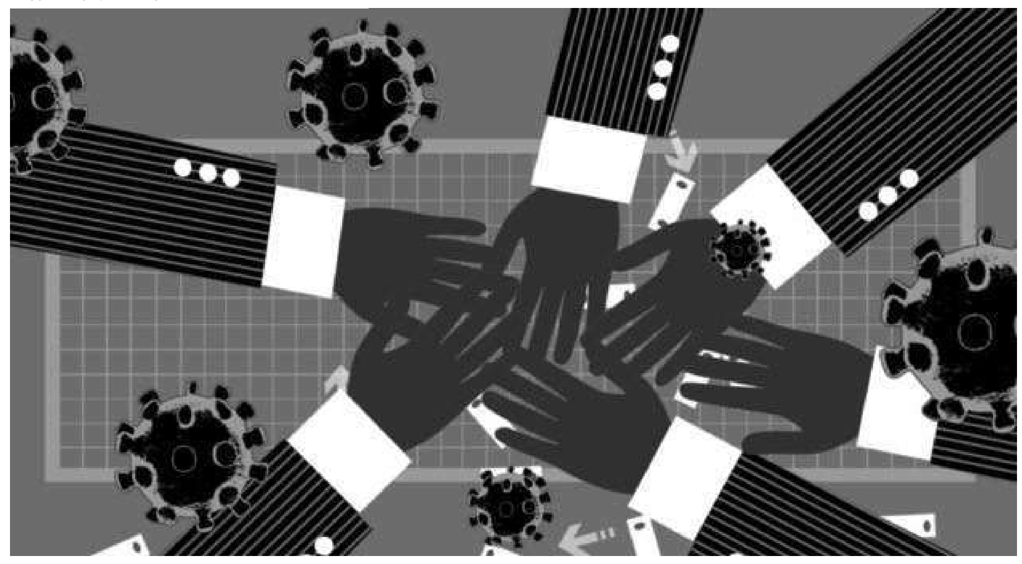
The instant messaging service, WhatsApp, is often accused of being a major carrier of fake news and rumours. It is now setting in place new measures to curtail the spread of fake news during the pandemic. Stemming the flood of lies is absolutely vital. False cures, communal hatred directed at specific communities, and fear-mongering about transmission rates have already led to many unpleasant incidents. This is additional stress for overburdened administrations to deal with. Even as it is putting new fact-checking protocols in place, WhatsApp has drastically limited the number of times a message can be forwarded. It is now beta-testing ways to encourage users to flag frequently forwarded content and send it for fact-checking and authenticity.

The Facebook-owned platform holds an overwhelming market share in India, where it is installed on over 400 million of India's 500 million smartphones. It is not surprising that there has been a sharp rise in message volumes, given that social media usage in general has jumped. According to Google Trends, people stuck at home were spending 280 minutes a day on social media in the first week of lockdown, which was far more than the 150 minutes spent, earlier in March.

The limit on forwards should help to slow the "infection rate", in analogy with social distancing. Until July 2019, WhatsApp messages could be forwarded at one go to 256 different groups, which could each contain 256 different accounts. That limit was cut to 20 forwards at one go in July 2019 and is said to have helped. WhatsApp claims that the 20-forward limit brought down the global volume of forwards by 25 per cent. On Tuesday, the limit was further reduced. After a message had been forwarded five times, it is classified as a frequent forward and can only be pushed out to one account at a time. This limit is actually easily circumvented: Any message may be pushed out again and again, if the user is prepared to select recipients one by one. But behavioural scientists claim, and the data does suggest, that this will slow the pace of forwards. It must be noted that a given message could still be pushed out to five groups of 256 users each at the first go, and that is a considerable audience. The limit is also content-agnostic. It doesn't discriminate on the basis of the content itself, which may be true or fake. The platform merely counts the number of times a message has been forwarded. However, WhatsApp is now testing a new feature to allow users to search Google to determine if the content of a given message is authentic or fake.

This is a pro-active concept. Users who used this search and authenticate feature could then choose to delete fake news, and warn others in their networks. This does require the user to actually use the new search and authenticate feature. It is difficult to predict how popular that feature will be until it is rolled out for everyone. Fake news is a menace in the best of times and it is a clear danger during a public health emergency of the kind that the world is facing today. It is hard for an end-to-end encrypted platform like WhatsApp to monitor content flowing on the network. Putting limits on forwards does constrain the "infection rate" and giving users a tool to aid in content authentication could also be a boon.

ILLUSTRATION: BINAY SINHA



Internationalising the Covid-19 crisis

If the international community wants to avoid a wave of defaults, it must develop a rescue plan immediately

As it spread from one country to another, the novel coronavirus paid no attention to national frontiers or "big, beautiful" border walls. Nor were the ensuing economic effects contained. As has been obvious since the outset, the Covid-19 pandemic is a global problem that demands a global solution.

In the world's advanced economies, compassion should be sufficient motivation to support a multilateral response. But global action is also a matter of self-interest. As long as the pandemic is still raging anywhere, it will pose a threat — both epidemiological and economic — everywhere.

JOSEPH E STIGLITZ

The impact of Covid-19 on developing and emerging economies has only begun to reveal itself. There are good reasons to believe that these countries will be ravaged far more by the pandemic than the advanced economies have been. After all, people in lower-income countries tend to live in closer proximity to one another. A higher share of the population suffers from pre-existing health problems that render them more vulnerable to the disease. And these countries' health systems are even less prepared to manage an epidemic than those of the advanced economies (which have hardly functioned smoothly).

A March 30 report from the United Nations Conference on Trade and Development offers an early glimpse of what lies in store for emerging and developing economies. The most successful of them rely on export-led growth, which will now collapse as the global economy contracts. Not surprisingly, global investment flows are also plummeting, as are commodity prices, indicating a tough road ahead for natural-resource exporters.

These developments are already being reflected in the yield spreads on developing countries' sovereign debt. Many governments will find it exceedingly difficult to roll over the debts coming due this year on reasonable terms, if at all.

Moreover, developing countries have fewer and harder choices about how to confront the pandemic. When people are living hand to mouth in the absence of adequate social protections, a loss of income could mean starvation. Yet these countries cannot replicate the US response, which features (so far) a $2 trillion economic package that will blow up the fiscal deficit by some 10 per cent of GDP (on top of a pre-pandemic deficit of 5 per cent).

Following a virtual emergency summit on March 26, G20 leaders issued a communiqué committing "to do whatever it takes and to use all available policy tools to minimise the economic and social damage from the pandemic, restore global growth, maintain market stability, and strengthen resilience." To that end, at least two things can be done about the dire state of affairs in emerging and developing economies.

First, full use must be made of the International Monetary Fund's Special Drawing Rights (SDR), a form of "global money" that the institution was authorised to create at its founding. The SDR is an essential ingredient in the international monetary order that John Maynard Keynes advocated during the Bretton Woods Conference of 1944. The idea is that, because all countries will obviously want to protect their own citizens and economies during crises, the international community should have a tool for assisting the neediest countries without requiring national budgets to take a hit.

A standard SDR issuance — with some 40 per cent of the SDRs going to developing and emerging economies — would make an enormous difference. But it would be even better if advanced economies like the United States donated or lent (on concessionary terms) their SDRs to a trust fund dedicated to helping poorer countries. One might expect that the countries providing this assistance will attach conditions, in particular, that the money not go to bailing out creditors.

It's also crucial that creditor countries help by announcing a stay on developing and emerging economies' debt service. To understand why this is so important, consider the US economy. Last month, the US Department of Housing and Urban Development announced that there would be no foreclosures on federally insured mortgages for 60 days. In essence, this policy is part of a broader "stay" on the entire US economy as a response to the Covid-19 crisis. Workers are staying home, restaurants are staying closed, and airlines are all but shut down. Why should creditors be allowed to continue racking up returns, especially when the interest rates they charge should have already created a sufficient risk cushion? Unless creditors grant such a stay, many debtors will emerge from the crisis owing more than they can possibly repay.

Such stays are just as important internationally as they are domestically. Under current conditions, many countries simply cannot service their debts, which, in the absence of a global stay on repayment, could lead to massive, rolling defaults. In many developing and emerging economies, the government's only choice is either to funnel more income to foreign creditors or allow more of its citizens to die. Obviously, the latter will be unacceptable to most countries, so the real choice for the international community, then, is between an orderly or a disorderly stay, with the latter scenario inevitably resulting in severe turbulence and far-reaching costs to the global economy.

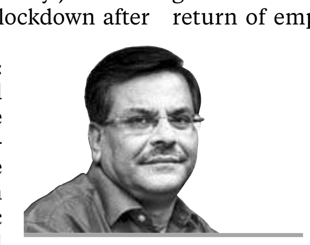
Of course, it would be even better if we had an institutionalised mechanism for restructuring sovereign debt. The international community tried to achieve that in 2015, when the United Nations General Assembly adopted a set of shared principles with overwhelming support. Unfortunately, that framework lacked the necessary buy-in from key creditor countries. It is probably too late to establish such a system now for use in the current crisis. But there will inevitably be more crises down the line, which means that sovereign-debt restructuring should be high on the agenda for the post-pandemic reckoning.

In John Donne's immortal words, "No man is an island …" Nor is any country — as the Covid-19 crisis has made abundantly clear. If only the international community would get its head out of the sand.

The writer, a Nobel laureate in economics, is professor at Columbia University and chief economist at the Roosevelt Institute. He is the author, most recently, of People, Power, and Profits: Progressive Capitalism for an Age of Discontent

Industry shutdown must end

The International Labour Organization (ILO) made an important point on Wednesday: that immediate efforts are needed to support formal workers and enterprises to ensure that they do not "fall back into informality" as a result of the Covid-19 crisis. The ILO has hit the nail on the head, as it is by now obvious that the country just can't afford a blanket extension of the lockdown after April 14.



POWERPOINT

SHYAMAL MAJUMDAR

The ILO data shows why: According to its estimates, around 400 million workers from the informal sector may fall into poverty as the ongoing nationwide lockdown, which began on March 25, has stalled major economic activities, pushing these informal sector workers to the brink. In a column in this paper on Tuesday, Mahesh Vyas of the Centre for Monitoring Indian Economy showed that unemployment rate was already a worrying 8.7 per cent in March, the highest on record since it began its survey over three years ago. More troubling was that, when the lockdown was imposed in the last week of March, unemployment surged to 23.8 per cent.

The reasons are obvious. While millions of workers are vulnerable to income loss and layoffs, the impact on income-generating activities is especially harsh for unprotected workers and the most vulnerable groups in the informal economy. The formal sector can't obviously be far behind.

For example, despite the government's "advisory" that companies should not cut jobs, more than half the CEOs surveyed by the Confederation of Indian Industry see large-scale job cuts ranging from 15 per cent to 30 per cent as inevitable. The Retailers Association of India has said that about 40 per cent of the six million employees working in the retail sector could lose their jobs if the government does not intervene.

That would be a disaster. So industry must be allowed to resume operations in areas other than the identified hotspots with proper safety guidelines in place as soon as possible. At the same time, government efforts are needed to facilitate the return of employees to workplaces in a phased manner. Migrant labourers need to be brought back as fast as possible as they do not have any daily income to support their families.

Otherwise, the list of industry victims will be endless: Tourism, entertainment, real estate, construction, and many others which employ a bulk of India's labourers. Can the government prop up every business? For how long? As more businesses collapse under the pressure of lockdown, the need for support will grow at an exponential rate — much beyond any government's means. And the fact of the matter is that when large businesses go down, they take many other businesses down with them, and the jobs they are currently providing may be lost forever. For example, if the lockdown continues and even a partial opening isn't allowed immediately, Indian exporters run the risk of losing huge export orders as they can't send product samples to their clients abroad for getting firm contracts later in the year. The time for sending such samples is April and May, and Bangladesh and China have already started sending the samples. So there is no time to be lost.

Even sectors which could weather a brief crisis, like financial services, etc will start to suffer. Consider the numbers put out by Bajaj Finance the other day. The company said it lost 350,000 accounts and ₹4,750 crore worth of assets under management in the last 10 days of March after the nationwide lockdown was announced.

More interestingly, the management laid down three business scenarios depending on the lifting of the lockdown deadline. In the first scenario, if the lockdown is lifted on April 14 as scheduled, the company expects to return to 60 per cent of the normal business by May and 100 per cent by September. In the second scenario, if the lockdown is lifted on April 30, the NBFC expects to return to full normalcy only by October. But credit cost (the amount it has to set aside for bad loans) will be 50-60 per cent higher in this scenario.

In the third scenario, if the lockdown ends on May 15, the company expects to do zero business in April, 30 per cent of planned volumes in May, 50 per cent in June and full normalcy only by the fourth quarter. The worst part is that the impact on credit cost will be 80-90 per cent higher on a full-year basis. The company said it will then be forced to take a harder view on operating expenditure and explore a 12-15 per cent cut vs current cuts of 7-8 per cent.

The transparent commentary shows why India should not extend the complete lockdown beyond April 14. If this can happen to India's most efficient non-banking finance company, imagine what damage a prolonged lockdown could do to others.

None of this is to suggest that the government should be blasé about relaxing rules. But it is also a fact that lockdowns cannot be extended indefinitely as the consequences are too great. So the nationwide lockdown must be wound down in phases keeping both Covid-19 hotspots and economic needs in balance. A good template could be the one suggested by a high-powered committee of the Kerala government about withdrawing it in a phased manner. That's a must as the longer the complete shutdown of industry, the trickier would be the task of revival.

All in the family... and friends

BOOK REVIEW

ALOKANANDA CHAKRABORTY

Movie scriptwriters use a simple tool to sell their stories and screenplays to production houses and film financiers. It is called a "logline", a clear one-sentence brief of the story. It typically contains elements that pique both interest and imagination. You can treat the title of Kainaz Messman Harchandrai and Tina Messman Wykes's book as an appropriate "logline" for their book — it summarises the theme for readers in a way that enables them to imagine the story but only enough to make them want to complete the story that they had half-imagined in their head. That's the thing about the word "dream".

Don't go looking for highfalutin brand-building ideas or for that matter Seth Godin's Purple Cow in *Baking a Dream*, though. You simply won't find them. There's no mention of Flynn, Farrell or Brogan; it's just a story about two sisters and how they built a brand. Okay "The Twelve Things I've Learnt Along The Way" (chapter 24) is in the nature of lessons from mistakes but you can't call them path-breaking or paradigm-shifting ideas by any stretch of imagination.

Learning how to build a brand can easily take a semester-long MBA course but the authors manage to distil their story over 25 chapters spanning 236 pages, complete with a full low-down of their family and friends and how the two of them got started. In parts the narrative is simplistic and things just seem to fall in place just when they need to but then, it is that "compelling image of an achievable future" — to borrow a line from Stew Friedman of the Wharton School — that makes this book work.

Here's what I thought the writers were trying to say — that a strong brand isn't just about the package you put on the shelves or the people who walk into your store; it's also about who you are, how your people act with customers, and the culture you foster among your employees. The brand in this case is the bakery brand Theobroma (food of the Gods in Greek), which was started by the Messman family in Mumbai's Colaba area and later expanded to Bandra and many other locations in the city and then to the National Capital region. Kainaz is the lead author and she tells the story with much honesty and sincerity. Her childhood dreams and her family and friends seem completely intertwined with the story of her career first as a chef and then as the owner of Theobroma.

There are some interesting details about the family's early struggles and the hassles of starting Theobroma in 2004. One could actually imagine the scene at the opening of their first store where she writes about how the family was behind schedule, about how the girls raced to satisfy the kind of demand their little shop generated on Day One and the little celebration they had after the hectic first day. Going forward, she puts down totally matter-of-factly the problems the brand faced in terms of quality, pricing, packaging on the one hand and staffing and skilling of its employees on the other. She also talks at great length about the problems of financing and expanding the business. What comes across very strongly in all this is that the sisters' friends and family played a big role in the success of their brand — by pitching in with little things like helping pack deliveries to bigger things like connecting them to financiers when they were mulling expanding beyond their comfort zone.

BAKING A DREAM
Author: Kainaz Messman Harchandrai with Tina Messman Wykes
Publisher: HarperCollins
Pages: 239
Price: ₹599

The hardest part of building a brand is being honest about the scorecard. We love our children even when they're having a full-blown meltdown in front of a houseful of guests and we'd probably be at a loss when asked to list their weaknesses. But in business that could spell disaster. Chapter 21 titled "We are sorry" is the best thing about "Baking a Dream". It unabashedly talks about all that is wrong with Theobroma and the owners' failings.

Take this: "As we grew, our service standard fell with each new outlet. We recruited people and put them in front of our guests without adequate product knowledge or training… We tried to put things right but failed spectacularly."

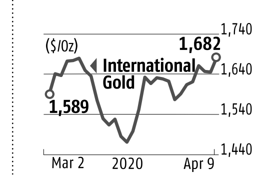
Later in the chapter, she talks about the measures the owners have taken to fix the problems. Of course, it's work in progress… "we swim in an ocean of feedback"….

In hindsight, the story (which reminded me often of my school years' sketchbook) is told, in part, to express gratitude to guests and friends for making the journey "more beautiful than in the realms of our wildest dreams". Focusing more on the philosophy of the company and the aspiration of its founders rather than the nuts and bolts of managing a business, the writers manage to make the brand both smart and old-worldly — the latter because Theobroma appears to owe a lot to tradition and family and smart because it manages to shrug off the lows and move on.

PS: If you wish to channel your inner Nadiya Hussain, the section on "Baking at home" is just for you….

Business Standard
NEW DELHI | FRIDAY, 10 APRIL 2020
The Smart Investor
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: GOLD TO REMAIN VOLATILE



Gold prices saw a sharp rally, after a big fall in the last few weeks. However, Natixis Research says that if global equity or other markets fall sharply going forward, further short-term selling in the yellow metal cannot be ruled out to meet margin calls before a sustained rally

"Don't go by predictions of market bottoms or economic revival. It's very difficult now to foresee how long the economy would be negatively impacted and what shape many industries will take. This will have an impact on share prices of those businesses. Tread with care"

D MUTHUKRISHNAN
Certified financial planner

Indices soar 4%, end short week with 13% gain

Domestic stimulus hopes, crude oil talks lift sentiment

SUNDAR SETHURAMAN
Mumbai, 9 April

The benchmark indices posted strong gains on Thursday, jumping 4 per cent and ending the truncated week up 13 per cent. Reports of a second stimulus package by the government, talks between major oil producers to cut output, and optimism of lower spread in Covid-19 cases boosted investor sentiment.

Overseas investors were strong buyers for the third session in a row. They bought shares worth ₹1,738 crore, taking their three-session buying tally past ₹4,200 crore. The Sensex closed at 31,160, up 1,266 points or 4.2 per cent, while the Nifty rallied 363 points or 4.15 per cent to end at 9,112. Both indices are now up almost 20 per cent from their recent lows on March 23.

News reports said the government was mulling a second stimulus package worth ₹1 trillion to help small and medium businesses (SMEs). Last month, the Centre had announced a ₹1.7-trillion stimulus plan that included direct cash transfers and food security measures to tide over the lockdown and economic impact of the pandemic.

"With a further drop in oil prices, there is some fiscal headroom for the government, and the hope is that it will utilise the same to announce more stimulus measures," said Saurabh Mukherjea, founder of Marcellus Investment Managers.

Hopes that the effect of the lockdown will start showing positive results in the coming days also boosted sentiment.

"World over, the number of new cases is either levelling out or reducing. Therefore, people are confident there is light at the end of the tunnel. The question is whether the drop will continue once the lockdown is lifted, or will there be an uptick in cases," said Mukherjea. Market analysts said valuations have become reasonable for most sectors, and have advised investors to accumulate stocks with strong balance sheets, market leadership, and quality management.

The future trajectory of markets will depend on whether the 21-day lockdown gets extended, and the nature of restrictions in the coming days, said experts.

"We have not done enough tests compared to other countries. In terms of the lockdown, we are ahead. How things pan out in terms of the lockdown will be a key determinant of whether the index is going to sustain that high levels," said Abhimanyu Sofat, head of retail research, IIFL Securities.

However, some analysts remained sceptical about this week's sharp spurt. "There should be some stop to this rally. There is a consensus that restrictions of some form will continue after April 14. If we are still in under a lockdown, it shows that the Covid-19 crisis is not sorted and it will take a while. Many industries will not operate, which means there will be further economic slowdown," said Ambareesh Baliga, a market expert.

The market breadth was positive, with the total number of advancing stocks at 1,872 and declining at 538, on the BSE.

All Sensex components barring four ended the session with gains. Mahindra & Mahindra was the best-performing Sensex stock, rising 17 per cent. Maruti and Titan rose 13.2 and 11.1 per cent, respectively. All BSE sectoral indices ended the sessions with gains. Auto and consumer durables rose the most, with their gauge rising 10.3 per cent and 7.1 per cent, respectively.

FIGHTING BACK
India may soon join US in the bull territory

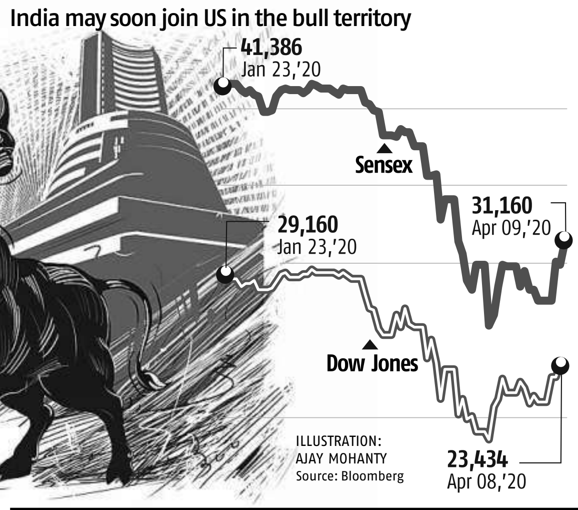


ILLUSTRATION: AJAY MOHANTY
Source: Bloomberg

SENSEX, NIFTY ON CUSP OF BULL MKT

Benchmark indices are on the cusp of a bull market — a term used for a 20 per cent surge from recent lows. The Sensex and Nifty have gained around 19.8 per cent from their lows of 25,981 and 7,610, respectively, on March 23.

Asian peers such as South Korea, the Philippines and Indonesia have already entered technical bull markets, having risen over 20 per cent from their lows. The rebound in US equities has been sharper, with the Dow Jones jumping 26 per cent from its 2020 lows. While most equity markets are entering bull territory, nobody wants to call it that, given the uncertainty around the spread of Covid-19 and the damage caused to the economy. Many believe such sharp rallies are a feature of a bear market. "We assume the ongoing rally is a bear market rally and is least likely to be sustainable," says Jimeet Modi, founder & CEO, SAMCO Securities. While many believe the markets could eventually head back lower, not many are sure whether they would retest March lows. CLSA, however, has a theory to call the market-bottom. "This bear market may have hit the point of capitulation in March, but this is likely to be followed by a period of apathy and lower volatility where we reach a point of investor dismay on equity investment," the brokerage says in a note.

Delivery-based trades hit 11-month high

DEEPAK KORGAONKAR & PUNEET WADHWA
Mumbai/New Delhi, 9 April

Investors have been lapping up stocks at lower levels, which have not only pushed the indices higher from their recent bottom, but have also led to a steady rise in delivery-based trades.

In March, delivery-based volumes rose to an 11-month high as investors became aggressive in taking delivery positions after stocks fell like ninepins over the past one and a half months. The benchmark indices reported their worst performance in more than a decade as the coronavirus disease (Covid-19)-led lockdown across the globe triggered fears of recession. The S&P BSE Sensex had slumped 23 per cent in March — its biggest monthly fall since October 2008.

However, the combined average monthly stock delivery volume on the BSE and the National Stock Exchange (NSE) has risen to 37.2 per cent in March — the highest since April 2019 when it was 39.3 per cent. The NSE had reported a record average daily turnover of ₹47,917 crore during the month, shows the exchange website data.

According to the month-wise data compiled by *Business Standard* Research Bureau, the delivery ratio — the percentage of shares actually changing hands in relation to the total traded quantity — was about 34.1 in January 2020 and 35.8 per cent in February 2020.

In December 2019, when the market was hovering near its all-time high level, less than one-third (31.3 per cent) of the traded stocks were delivery-based. March typically sees high delivery-based trades on account of financial year closing. In March 2017, this ratio was at an all-time high, with 52.6 per cent of the traded shares being converted into delivery. In March 2018, it was 37.9 per cent and 38.5 per cent in March 2019.

On the other hand, the standalone delivery-based volumes on the NSE were at an eight-month high, with 20.51 per cent of the traded stocks turned into delivery, reveals the exchange data.

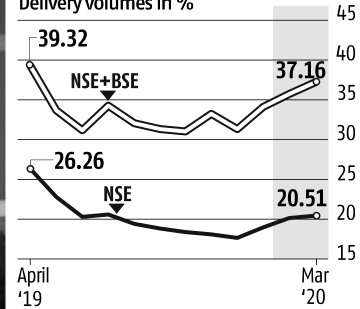
Among sectors, stocks of banks, cement, chemicals, engineering, agrochemicals, automobiles (mainly tractors and commercial vehicles), fast-moving consumer goods, sugar, aviation, domestic appliances, and paints have seen an increase in delivery-based trades.

"For every 'buy' trade, there has to be a corresponding 'sell' trade. A number of investors exited their positions in March in the belief that the markets would fall, given the Covid-19 pandemic, while some became aggressive and bought. Big investors could also have taken a position on margin money. That said it is time to be selective. Among sectors, investors should stay away from banks and autos for now," says Nandish Shah, derivative analyst, HDFC Securities.

After a sharp rebound from the recent low, analysts now expect the indices to cool off somewhat and consolidate. Against this backdrop, markets, they believe, are likely to remain volatile as they hunt for cues to chart the future course.

"Structurally, a key point to highlight during past three weeks' consolidation is that it has been more time-consuming. Any cool-off from here due to elevated global volatility would get anchored around 8,500 levels on the Nifty. Hence, near-term breather towards this level should not be construed as negative, but should be capitalised as an incremental buying opportunity," says Dharmesh Shah, assistant vice-president for technical research at ICICI Securities.

ON THE RISE
Delivery volumes in %



% of shares deliverable to total shares traded
Source: NSE/*BS* Research

Calling the market-bottom is a mug's game, says Aberdeen

TOM REDMOND & ABHISHEK VISHNOI
9 April

The market sell-off on account of Covid-19 is probably past its worst, strategists at Morgan Stanley have said. Jeffrey Gundlach sees bigger losses ahead, while Howard Marks went from bearish to more optimistic in a week.

For another veteran investor, calls on whether equities have reached a bottom are nothing short of futile.

"I think it's a mug's game," said Hugh Young, head of Asia-Pacific at the $644.5-billion manager Aberdeen Standard Investments. "Nobody has the answer." Shares across the world have recovered some of their losses from the rout, spurred by the virus.

An index of global equities has risen more than 20 per cent from its lows in March, technically entering a bull market, though it's still down more than 18 per cent this year. For Young, it's possible markets have reached a bottom, but it's far too early to say with certainty.

Hugh Young, Asia-Pacific head of Aberdeen Standard

"It feels as though this is going to go on for a fair old time," he said.

"And to an extent, that must be in prices. But then, we're seeing some sharp government action, whether it's bank dividends or changing rules on loans, foreclosures and all sorts of things. So, it's very hard to be precise."

Young argues that global lenders' moves to halt dividend payments after pressure from regulators came "slightly out of the blue." More knock-on effects of the coronavirus crisis are likely, he says, and it's impossible for them to be fully incorporated in prices.

Aberdeen's flagship Asia-Pacific Equity Fund has fallen about 18 per cent this year, according to data compiled by *Bloomberg*.

Over a three-year period, it's beaten 66 per cent of its peers. Young said his cynicism about confident market calls is born out of more than 30 years' investment experience. Even if someone correctly times the market once, they're unlikely to repeat the feat, he said. And bottoms, he said, are only easy to identify after the fact.

Hindsight benefit

"I'm sure the market bottom, as it always is, will be obvious with hindsight," he said. "People identify it with one particular thing that it happened to coincide with. Again, in my experience, that's often not quite right. But it's an easy explanation for people with hindsight. I'm afraid you never know, says Young. BLOOMBERG

THE COMPASS

Strong outlook to keep FMCG stocks at a premium

Improved earnings visibility, cash-surplus position provide breather to sector

SHREEPAD S AUTE

At a time when all sectors are bearing the brunt of Covid-19, the fast-moving consumer goods (FMCG) sector, too, has witnessed a correction in valuation to its 5-year mean.

However, the sector is still trading at a 115-per-cent premium to the frontline indices. Over the last month, the Nifty FMCG index, which has been flat, has outperformed the Nifty, which has declined over 16 per cent. The price-to-earnings (P/E) valuation of the FMCG index, at almost 29x, is among the highest within sectoral indices. If analysts are to be believed, FMCG's valuation premium vis-à-vis leading indices will continue in the near term, despite muted economic activity.

Though much of last month's outperformance was led by the Hindustan Unilever stock, others like ITC, Nestlé, Britannia, Colgate, and Dabur have added to gains.

Not only has the likely pressure on earnings for the automobile, hospitality, aviation, banks, and real estate sectors made FMCG a safe haven, but even the earnings visibility for the sector is better.

According to a JPMorgan report, "The valuation divergence (between consumer staples and leading indices) is likely to stay with premium multiples (of FMCG) being attributed to earnings resilience and better visibility on long-term growth potential."

Besides essential or the daily-use nature of products, likely margin support from benign input prices and cost-efficiency measures will confine the impact of the crisis on overall earnings. How individual firms manage their distribution (given the labour shortage) would be a key differentiating factor.

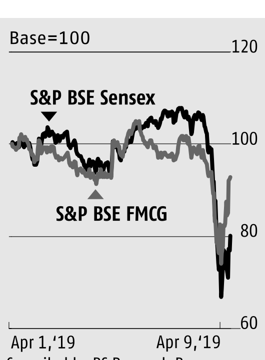
Though distributors may demand extended credit period amidst the liquidity issue, G Chokkalingam, founder and managing director of Equinomics Research and Advisory believes that given the supply-driven business of FMCG, which results in higher realisation and zero-debt position, managing working capital is unlikely to be a challenge for the companies.

In fact, many FMCG companies have surplus cash and bank balance in their books (after accounting for debt), which itself provides significant comfort in the current situation. However, near-term earnings impact will vary depending on the product mix and export dependence.

With expectations of low income, demand for discretionary/non-essential items will remain low. Further, a partial or complete lockdown in key overseas markets such as South Africa, Indonesia, and Bangladesh will further dent the top line.

Thus, firms with higher revenue share of essential items and lower revenue contribution by overseas markets are expected to perform better, say analysts. Most sectors will limp back to normalcy over the next 2-3 quarters, believe experts, indicating that FMCG companies with better visibility will remain in demand.

For now, Hindustan Unilever, Britannia and Nestlé are some analysts' top picks in the FMCG space.



Compiled by BS Research Bureau

Jio expected to save RIL's blushes in sub-par Q4

Rising telecom revenues to partly compensate for muted show of refining, retail & petrochemicals

UJJVAL JAUHARI

In a weak demand environment, with the energy sector taking a hit and retail sales getting impacted by the 21-day nationwide lockdown, the performance of Reliance Industries (RIL) is likely to remain soft in the fourth quarter of financial year 2019-20 quarter (Q4FY20).

Analysts estimate that Q4 might be amongst RIL's weakest in a while, but they expect rising revenues and profits in the telecom business to save the day.

Initial estimates indicate that the largest contributors, the refining and petrochemicals (petchem) businesses, will see significant pressure on profitability with the refining segment's operating profit (earnings before interest and taxes, or Ebit) declining by 19.6 per cent sequentially, according to Bank of America Merrill Lynch (BofAML). Petchem, which had seen a 23 per cent sequential decline in Ebit in Q3, might put up a similar showing in Q4. Gross refining margins (GRMs) have trended down. The expected benefit of International Maritime Organization (IMO)'s 2020 Fuel Sulphur Regulation is yet to accrue. Benchmark Singapore GRMs declined 22 per cent sequentially in Q4 with a reduction in margins (cracks) of all products, except for furnace oil and LPG. However, for RIL, the $7-8 per barrel negative impact from lower gasoline and jet fuel margins and shipping costs were offset by $6-7 per barrel discount on crude sourcing, say analysts. Adjusting for these, Centrum Broking estimates RIL's GRM to decline by $1.2 a barrel sequentially, while Emkay Global expects GRM at $7.5 versus $9.2 in Q3. Petchem accounts for 31 per cent of RIL's earnings and 34 per cent of operating cash flow (OCF) generation.

Though margins for most products have been subdued, olefins and PET (two-thirds of RIL's petchem sales) have seen improvement. However, RIL sells 70 per cent of its produce in domestic markets and hence, lower volumes may weigh on petchem earnings. Lower gas feed stock prices may provide some cushion.

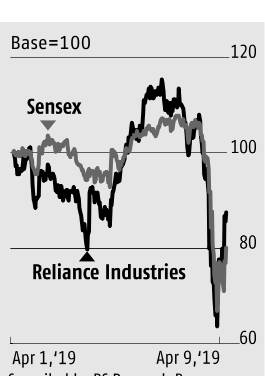
Retail, which has remained on a strong footing, may also feel the heat of the lockdown. The quarter otherwise also remains weak with majority sales being pushed through discounts. Grocery sales are seen rising, but will likely be offset by softer consumer electronics and fashion & lifestyle sales.

The digital services and telecom business should clock good numbers. Morgan Stanley estimates telecom business Ebitda to rise 12 per cent sequentially (43 per cent year-on-year) to ₹6,250 crore driven by a 22 million increase in subscribers and flattish average revenue per user compared to Q3. Overall, Morgan estimate RIL's Q4 earnings to decline 5 per cent sequentially led by potential inventory losses in refining and lower retail sales, while BofAML pegs the sequential decline at 8.1 per cent.

TELECOM TO THE RESCUE
All figures are estimates

Segment Ebit	Q4FY20E (₹ crore)	% change QoQ	YoY
Telecom	4,082	7.3	53.2
Retail	2,394	0.2	39.1
Refining	4,550	-19.6	9.0
Petchem + oil & gas	5,622	1.9	-27.1
Total	16,129	-4.3	3.4

QoQ: Quarter-on-quarter; YoY: Year-on-year
Ebit: Earnings before interest and tax
Source: BofAML Research



Compiled by BS Research Bureau

Make sure your insurance policy doesn't lapse during lockdown

Premium payment for general, life insurance policyholders extended

BINDISHA SARANG

With the lockdown due to Covid-19 expected to be extended, policyholders with life and general insurance policies would be worried about lapsation due to delay in payment. This is especially true for general insurance policyholders, who have to restore their motor, health, and other policies. Gurdeep Singh Batra, head–retail underwriting, Bajaj Allianz General Insurance, says: "The Insurance Regulatory and Development Authority of India gave a week's extension after the lockdown. It has said that during the lockdown period between March 25 and April 14, if an insurance holder is unable to make the premium payment, he can do the same on or before April 21. It will not be considered a break."

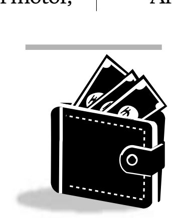
Unless the government extends the deadline, all insurance companies are expected to open from April 15. This means if you have an electronic clearance service (ECS) payment soon, make sure you arrange for the necessary funds.

Those who have auto-debit renewal on a credit card have to ensure the card is active and the amount is available to cover the premium. If you can't make funds available in the bank account, and the ECS bounces beyond the Irdai's stipulated date, your policy stands to lapse unless the lockdown is extended and the insurance regulator comes up with the revised dates.

Vaidyanathan Ramani, head–products and innovations, PolicyBazaar, says: "In non-life insurance, it's a one-year contract. If the payment for renewing the policy is not made on the day the old policy ends, the new policy does not come into effect. Of course, you can buy a new policy at a later date, but the cover will start only after that." But say, if you have motor insurance or health insurance whose premium has lapsed, it is unlikely that you will have extensive cover if something happens in the interim. Usually, general insurers give 30 days for health and 90 days for auto insurance policyholders to pay renewal premiums, even after the due date has passed. However, you get to carry forward only a few benefits.

After the lapsation of the 30- and 90-day period, you will have to buy a new policy and start all over with no benefits. You especially stand to lose the no-claim bonus that may have accumulated over the years. In a normal scenario, Batra says: "if your policy expires on March 15, you have time till April 15 to make payment. If on March 25 you make a payment, the company will not cover the 10 days break period from March 15-25, according to Section 64 VB under the Insurance Act. But this has been relaxed. During the lockdown, the company will cover the risk if the premium is paid on or before the 21st for this break period."

In the case of life insurance, things are simpler. Yusuf Pachmariwala, head of operations, Tata AIA Life Insurance, says: "The Irdai had asked insurers to allow additional 30 days of grace period for payment of renewal premium for life insurance policies, and has now extended the grace period to 60 days." This means you have ample time, as of now, to make sure you have funds handy. Anuj Mathur, MD and CEO, Canara HSBC Oriental Bank of Commerce Life Insurance Company, says: "In such times, customers should not let their policies lapse. Even after 60 days, if you don't have the necessary funds, make a credit card payment. Or, try to make arrangements and request the insurance company to present the ECS again. If internet connectivity is an issue, we also provide secure interactive voice response payment options."



YOUR MONEY

WHEN TO GO PAID-UP
(For life insurance policyholders)

- Use this option as the very last route if you just can't pay the premium even after 60 days
- A policy can be converted to a paid-up policy once it acquires a surrender value. This is typically after 2-3 annual premiums are paid for a traditional plan
- A paid-up policy is one that requires no further premium payments and continues to provide benefits until maturity
- This is a useful option when one is stuck with an unsuitable product. But in difficult times, this can come handy

Delivering the goods

How retailers are rewriting the script amid lockdown

ANCHITA GHOSH

The lockdown announced last month imposed curbs on everyday life without precedent in peacetime. After the initial shock, retailers have found ways to deal with the supply chain constraints, upped the ante on in-store people, product and hygiene management. "While production and distribution of non-essential sectors have come to a virtual standstill, essential goods retailers have kept the ball rolling, pinning their hopes on the government to keep their supply chain undisturbed," says R N Iyer, CEO and founder of Vayana Network, a platform that connects corporates and their supply chain to financial institutions.

To start with organised retailers such as Big Bazaar, Spencer's and Reliance Retail have all announced that their supermarkets and convenience shops would limit customer numbers, though the limits are different for different branches based on the footfalls and the number of tills, with shop managers using their judgement on customer numbers and when the shop is at capacity. Many have enforced a one-in-one-out policy to enforce social distancing. Some are also using volunteers or marshals to help manage queues outside shops and remind customers about the government's social distancing rules.

Two things stood out from our conversation with retailers — that the ones with online delivery and click and collect services are working at full capacity. And that supermarkets are asking customers to pay with cards or any other form of virtual money rather than cash at tills as a way to help contain the spread of the virus.

Now the thing to remember is, that these retailers have to tackle challenges at two ends — the front end or the shop floor and the back end or the supply chain. The front end is relatively easy — it's more about tackling store traffic and hygiene. Sadashiv Nayak, CEO, Big Bazaar, says people are going to congregate at food stores and so the prime focus is on maintaining hygiene and taking safety precautions. "We are making sure we don't have too many people at the store at a time. So they are being asked to queue up outside the Big Bazaar stores, maintain a distance of one metre from each other and even inside the store, we are ensuring there is no crowding. There is mandatory temperature checking at the entry point. This gives confidence to the authorities that Big Bazaar is well-placed to serve consumer needs."

Towards the end of March, Reliance Industries took the decision to go omni-channel. One can order online and pick up the merchandise from her nearest store. Depending on the pin code, the nearest store is assigned to a customer. "We had this in Mumbai and now we have started this at all our stores," says Manish B Bhatia, AVP, Reliance Industries. "All 736 Reliance Fresh and Reliance Smart (hypermarket) stores are being kept open for extended hours. We have also started taking vehicles to critical areas where our stores are not located." These vehicles go to these locations at certain dedicated hours with select products.

Apart from prioritising customer needs, Nayak says, the biggest lesson in the situation is redefining the hygiene of the shopping environment, which will now be an ongoing exercise — even after the lockdown is lifted. "More important is taking the hygiene options to our distributors who are spread out. Supply chain challenges like narrow roads will not go away. What is important is how do we take precautionary steps keeping in mind hygiene and safety across the supply chains," he elaborates.

> **The biggest lesson in the situation is redefining the hygiene of the shopping environment, which will now be an ongoing exercise, says Big Bazaar CEO Sadashiv Nayak**

This is also the time to remap employees, make alternate rosters so the burden is shared, deploy staff to stores closer to their homes, while also making sure those with elders at home don't need to come to office regularly. "The plan is to be as nimble as possible," says Nayak.

Tackling the challenges at the shop is still easy; regulating the back-end or keeping the supply pipeline running is the tricky part, agree retailers. Nayak says things become smoother if one sources products from a wide network of distributors. In other words, if your are fed by distributors A, B, C and D you are better off than one who is fed by A and B alone.

So, what are the other ways to keep the supply chain running efficiently? Big Bazaar's Nayak has an answer: "Do not to clog your stores with unnecessary products." The retailer has identified 500 top articles that are really needed at this point of time, and it is working with its FMCG partners, along with the distribution centres, to ensure that those 500 are never out of stock. "We are living by the day and week right now," says Nayak.

While Nayak speaks about the advantages of having a wide network of suppliers in times like these, Vayana Network's Iyer says this might be a good time for corporates to consider strategic sourcing to help increase supply chain efficiency and reduce costs. So instead of having many suppliers of one particular item, one should now focus on a few and cultivate deeper relationships with them so they become better at meeting cost and quality goals. The other thing to do is identify suppliers closer to your store location. Also, this is a golden opportunity to deploy tech solutions to stock-keeping so that there is no idle stock at any given time.

In terms of technology alone, Indian retailers have quite some way to go. Global brands Morrisons, Aldi and Asda, for instance, have installed large perspex screens at their checkout counters to shield customers and check out staff. They have adopted interesting ways to limit panic buying such as giving essential services professionals a dedicated time slot to shop or limit who can shop in the stores at certain times or on certain days.

All said, experts agree this really is the time retailers can build a lot of equity if they are able to up their game. "Players, who offer the reassurance of quality and cleanliness, stand for a holistic approach to ensure well-being of customers and staff, will reap big rewards," says a store manager at a Noida outlet of Spencer's.

GUEST COLUMN

How to build institutions

In the concluding part of the series, the author talks about the mindset, behaviour and action of "shapers"

This is the last and final part of the three-part series on the captioned subject (the first two appeared on March 11 and 27). To summarise the key message, there is a big difference between a good company and a business institution as illustrated by our three books on TCS, Biocon and L&T.

A good company is run by a competent CEO, but a business institution is crafted by a shaper. The shaper displays a certain drive; a distinct orientation of mindset, behaviour and action (MBA); these transform the company. In the earlier articles, some highlights of TCS and Biocon were described briefly. In this part, a company that makes India proud — L & T — is briefly described.

R GOPALAKRISHNAN

Former managing director, K Venkataramanan, reflected on L&T's orbit-changing strategies (he credits AM Naik) by saying, "What is today's L&T is because we could move from simple fabrication to nuclear, space, defence, oil and gas. Our construction wing moved from simple road construction to complex construction projects like airports and metros."

While effecting this transformation, then CEO, Anil Naik, demanded "critical thinking" from the leadership team to uncover why L&T was valued poorly compared to blue-chip companies. In 1999, when Naik assumed leadership, L&T was valued at ₹5,000 crores. Given the complexity and scale of its projects, he wondered why it should not be ₹2.5 trillion. This required the team to identify the levers of change available to it. Naik was willing to admit that he did not really understand the science and art of share pricing.

He led Project Blue Chip that deconstructed the logic of share pricing. Share pricing is an outcome which reflects the value created by the company. Disassembling the formula for share pricing into its parts brought into full view what levers the management had for positively and constructively influencing the market perception. Such understanding would not leave pricing purely to the whim of the share market.

When the ownership of L&T seemed vulnerable, Anil Naik's critical thinking led to an unusual insight. He saw a distinction between financial ownership and emotional ownership. "It struck him like a bolt from the blue that L&T was emotionally owned by workers though they were not its financial owners," our book avers (*How Anil Naik built L&T's remarkable growth trajectory*). This changed his mindset, which in turn triggered changes of behaviour and actions to solve the short-term problem with a long-term perspective. The cement business was sold, an L&T Employees' Welfare Trust was set up, employees got stocks of the company and Naik made his most enduring contribution as a shaper — he aligned the financial ownership and the emotional ownership of the company!

The writer is a distinguished professor of IIT Kharagpur. He was a director of Tata Sons and a vice chairman of Hindustan Unilever. Three co-authored books in a series called 'Shapers of Business Institutions' have just been published by RUPA — on TCS, Biocon and L&T

More on www.business-standard.com

SNIPPETS

Housing fears

Houses in the affordable segment (unit price less than ₹40 lakh) will be the worst hit among the different categories impacted by the ongoing Covid-19 crisis, according to Anarock Property Consultants. Anarock's latest report shows that almost 40 per cent of the new houses added across the top seven cities in the past few years were in the affordable segment and the 610,000 houses were under construction when the crisis hit the country and the globe. The current situation has sparked fears around income generation and employment which are going to put further strain on the sales. So, as and when the construction is completed, there will be piling up of the unsold inventory. "The target audience typically has limited income and unemployment fears currently loom large. This could result in deferred property purchase decisions in 2020 and ultimately derail the segments' growth momentum. As a result, unsold affordable stock can rise by 1-2 per cent on a year-on-year basis," said a statement.

Future ready

We have been talking about disruptions for quite some time but not even some of the most visionary leaders may have thought about a pandemic hitting businesses this severely as we are seeing currently. In a recent article penned by Glenn Steinberg, EY Global and EY Americas supply chain leader, the author has shared his viewpoints on a shock-proof supply chain for the future. In the piece, titled COVID-19: How to forge a supply chain that withstands severe shocks, Steinberg has written how to build resilient supply chains, enterprises should focus on building capabilities to help them prepare, sense and respond to future disruptive events. Investing in key supply chain capabilities, alternative supplier sourcing strategies, network flexibility and agile planning and putting a Plan B for disruptive events are some of the other takeaways from this piece available on the *ey.com*. It also advocates implementing risk monitoring and reporting tools, as well as an early warning system that enables a rapid early response to risks or disruptions.

STATSPEAK

ENTERTAINMENT VALUE

FICCI-EY's *The era of consumer A.R.T. (Acquisition, Retention and Transaction) March 2020: India's Media & Entertainment sector report* showed that despite the tepid response of the economy, the sector did manage to touch a decent 9 per cent growth as the improved digital connectivity continued to show its impact. The rosy predictions for the future such as "exponential increase in engagement through the fomentation of the nascent online gaming industry" may be set for a revision due to the Covid-19 fears.

₹1.82 trillion
The Indian media and entertainment (M&E) sector in 2019, a growth of 9% over 2018

₹2.42 trillion
Projected numbers for the M&E sector by 2022, at an estimated CAGR of 10 %

FDI INFLOWS IN INFORMATION AND BROADCASTING SECTOR ($ billion)

2017-18	2018-19	Apr-Sep 2019
0.6	1.3	0.2

KEY TRENDS IN 2019

Growth was driven by direct-to-customer segments (in %)

Online gaming	39.8
Digital media	30.9
Animation and VFX	20.3
Live events	10.2
Filmed entertainment	9.5
Music	8.3
Television	6.4
Out-of-home media	5.0
Print	-3.2
Radio	-7.5

Source: EY-FICCI

Advertising grew by 5.3% while subscription grew by 9.3% in 2019

'Experimentation not a substitute for intuition'

Ensure that experimentation is just as natural as looking at the financial numbers on a daily basis, **Thomke** tells **Shubhomoy Sikdar**

Q&A

STEFAN H THOMKE,
Business experimentation expert & author

Has digital disruption increased the pace of experimentation in business?
The empirical approach to organising knowledge and decision making is now impacting all businesses. When I say experimentation, I do not mean just 'I am trying something' that people may say in casual English language. I talk about a disciplined approach towards experiment in organisations and there has to be a framework around it. Experiments can be used in many different ways, from optimising customer experience to exploring new business strategies. It allows us to resolve some of the uncertainties that we are likely to face due to our decisions. If done well, it can tell us something about cause and effect. I can find out what impact is my decision is likely to have before adopting it in a big way.

Awareness, belief, commitment, diffusion, and embeddedness are the five stages of becoming an "experimentation organisation", according to your latest book *Experimentation Works*. Which phase of transition is the most difficult?
Reaching the final two stages is the most difficult because that requires a cultural change in terms of how your company runs. I can tell you the five questions that you need to address to reach these stages. The first one is cultivating curiousity. You have to bring in a culture where curiosity drives a lot of people, you have to hire curious people who can challenge everything. The second one is creating an environment where data trumps opinion. The third one is democratising experiment. This means you have to empower people to run their own experiments without having to ask for permission every single time. If you create a lot of red tape for experimentation, people won't do it.

The fourth one is that you need to be ethical about it, because when carrying out an experiment, you cannot expose people to something considered unethical by them. The fifth is rethinking your leadership model as an executive, redefine what is their role in this kind of a world. An executive needs to set up a grand challenge: not just about everyone willy-nilly experimenting but to identify that one big objective that everyone is working towards. Secondly, they have to ensure that the proper resources are available. Also, the executives need to live by the same rules. In the book, I have cited the example of booking.com where a new CEO comes and says he has made a decision on how the logo should look like. Instead of simply accepting that, the team concerned says that they would run a test and let the CEO know what happens. So, the intuition of those at the top should be challenged just like every other employee.

Does continuous experiment put additional strain on day-to-day operations?
It shouldn't be a strain because you should embed it into your operational execution. The professional digital companies, for example, do it every single day. So you have to ensure that experimentation is just as natural as looking at the financial numbers on a daily basis. Of course, to do that you need to put in the right infrastructure and provide people the requisite tools to bring about this behavioural change.

Will intuition and data-driven experimentation co-exist or the former will cease to matter?
Experimentation is not a substitute for intuition. What I argue is that it is a complement. When you run many experiments, you need many hypotheses. A hypothesis will come from different streams: It will come from intuition; it will come from market research. Organisations do all these and go into decision making. What I am saying is there should be an intermediate step, that you include experimentation in the middle. That will tell you whether the approach is wrong or right. Second, I realise that not every business decision can be tested before getting rolled out, say the case of a merger or an acquisition but those which can be, should be tested. I must also add that at times, even a successful experiment cannot be adopted if there is a legal or an ethical reason to not proceed with it.

How does the famed Indian *jugaad* compare with your theory of experimentation?
I wouldn't say it is the same thing but there is connection for sure. When you are resource constrained, you are perhaps more willing to experiment to find alternative ways to perhaps solve the problem. Necessity is the mother of invention but you can also say that necessity is the mother of experimentation.

Perfecting the solidarity pitch

From providing meals and masks to funding medical equipment, it is time to let the work speak for the brand, say experts

AMRITHA PILLAY
Mumbai, 9 April

Over the past several weeks, Indian companies from across categories and both large and small have stepped up with a range of measures to help fight the devastating impact of Coronavirus on life, livelihoods and public health systems. Real estate companies and hospitality chains are offering up their inventory as quarantine facilities, restaurants and hotels are packing up food for migrant workers, transporters are sending out their fleet of vehicles to ferry the ill, the stranded and to transport grains and food to the needy while many have committed huge amounts as aid to medical health workers and for the supply of ventilators.

While this is commendable and much needed and companies that show solidarity in such times are likely to earn a long-term halo for their brands, marketing experts say that turning these efforts into a public relations exercise or a branding pitch could boomerang.

"Advertising is for the celebratory economy. That part of the economy is dead for now, and therefore advertising must take a break," said Harish Bijoor, brand-expert and founder, Harish Bijoor Consults.

Across the world, marketers are struggling to find a way to keep customers engaged and brands relevant at this time. Ask any publicist or public relations agent tasked with the same and they will tell you about the sheer futility of the exercise in the present situation. So what must brands do?

"It is not the time for cleverness or gimmicks. Not for cute spacing of logos. It is the time to be honest and compassionate. To offer any and all kinds of support. Especially if your organisation and brand purported to celebrate such values ever," said Ashish Mishra, CEO of Interbrand. The Tata group, L&T, Mahindra & Mahindra, several public sector fuel retailers, Air India, Spicejet and IndiGo have all stepped in to fill the gaps in the government's relief measures and complement the state's efforts.

Mishra believes it is time for all brands to rethink the way they have traditionally marketed themselves or reached out to customers. "Some inspiring brands have made real and honest moves already. Many more will follow. Hopefully the seeds of a cultural transformation will be sown to outlast the virus," he said. He offers examples of how brands around the world are dealing with the situation.

For instance Mastercard has partnered with the Bill & Melinda Gates Foundation and Wellcome Trust to speed up the response to the COVID-19 epidemic. matching employee donations to relief efforts, and have contributed to funds like the China Women's Development Foundation, local food banks in the U.S. and donated 25,000 respirator masks to New York City hospitals. And, through their partnership with Scholastic, they are making Girls4Tech online curriculum for grades 3–7 available to parents and teachers looking for learning resources.

It is time for companies to build brands that are sensitive to the consumers problems but anonymous in their solidarity

It is time for companies to demonstrate an understanding of the way the pandemic is affecting people's lives and act thereafter. It is not enough, for instance to merely donate to a mass charity but look at ways in which the money spent would impact communities.

For example, auto maker Mahindra & Mahindra has said that it will make ventilators, oil to telecom conglomerate Reliance Industries has ventured into masks and personal protective equipment (PPE) for India's health care professionals, amongst other things while Diageo's United Spirits is now producing sanitizers. Public sector fuel retailers have managed to efficiently tap their vast petrol pump network to reach out to migrant workers walking back to their villages. The same providers are also using their LPG delivery network efficiently to provide essentials to needy households.

However, these efforts are also being promoted on social media platforms, often through the company's official accounts. This is not the best time to promote one's magnanimity, instead companies may end up gaining more if they play it down. Consumers are no longer tuned in to the past story of aspirational living and Bijoor said, "Brands must behave as commodities for now, and not push the brand story at all. There is no space for the 'desires and aspirations' stories of yore."

It is time for companies to build brands that are sensitive to the consumers' problems but anonymous in their solidarity. Bijoor said, "In such an environment the one trait that marketers need is sensitivity. The best marketing action therefore is the one that stays away from the limelight of publicity."

FROM PAGE 1

Covid-19 hangs over...

Professional forecasters polled in March, before the announcement of the nationwide lockdown, had said real gross domestic product (GDP) growth might recover from 4.6 per cent in the fourth quarter of 2019-20 to 6.1 per cent in the fourth quarter of 2020-21.

The RBI advanced its monetary policy committee (MPC) meeting in March from the first week of April in view of the lockdown, announced to contain the spread of the infection. In its off-cycle meeting, the MPC noted that the macroeconomic risks brought on by the pandemic could be severe, both on the demand and supply sides, and stressed upon the need to do "whatever is necessary to shield the domestic economy from the pandemic".

A repo rate cut of 75 basis points was accompanied by several liquidity-enhancing measures to improve monetary transmission and credit flows to the economy, and to provide relief on debt servicing. However, "the accompanying lockdowns and the expected contraction in global output in 2020 weigh heavy on the growth outlook", the report said.

The RBI said the full impact would depend upon the speed with which the outbreak was contained and economic activity returned to normalcy. The measures taken by the RBI and the government are expected to mitigate the adverse impact on domestic demand and help spur economic activity when normalcy is restored. The inflation, though, is expected to remain benign "relative to recent history".

Inflation projection

Even as forecasts are hazardous in this environment, the RBI is mandated to provide inflation forecasts. Therefore, taking into account initial conditions, signals from forward-looking surveys and estimates from time series and structural models, the central bank projected retail inflation to tentatively ease from 4.8 per cent in the first quarter to 4.4 per cent in the second quarter. It said it expected inflation to be at 2.7 per cent in the third quarter and 2.4 per cent in the fourth quarter, "with the caveat that in the prevailing high uncertainty, aggregate demand may weaken further than currently anticipated and ease core inflation further, while supply bottlenecks could exacerbate pressures more than expected".

For its projections, the RBI's baseline scenario assumed crude oil prices (Indian basket) to average around $35 per barrel during 2020-21, the fiscal deficit as a percentage of GDP for the Centre at 3.5 per cent, and the combined GDP deficit at 6.1 per cent. Besides, an exchange rate of ₹75 per dollar, a normal monsoon, and a global growth contraction in 2020 were assumed.

Debt schemes see...

A spike in yields dents mark-to-market valuations of instruments held by debt schemes. Heavy selling by FIIs in March led to a liquidity crunch, which impacted liquid schemes, with negative returns. "This was an unusual movement in liquid schemes, which also took investors by surprise," said Sunil Subramanian, MD at Sundaram MF.

Money market funds, which invest in instruments with maturity of up to one year, saw outflows of ₹27,402 crore.

"Debt schemes saw redemptions as it was financial year end. Corporate treasuries also wanted to conserve cash due to the lockdown situation, which contributed to the investor pullout," said D P Singh, executive director and chief marketing officer at SBI MF.

At the end of March, debt assets stood at ₹10.29 trillion, shrinking 15.79 per cent from the previous month. In contrast, equity flows improved 8.6 per cent in March, with over ₹11,722 crore of flows coming in the month. Incidentally, this was highest quantum of equity flows in 12 months.

"Equity schemes got some institutional flows, coming in through pension funds and the Employees' Provident Fund Organisation," said A Balasubramanian, MD and CEO of Aditya Birla Sun Life MF.

However, industry participants say a sharp erosion of the high-fee paying equity assets is a worrisome outcome of the market meltdown.

Nearly one-fourth of the equity assets were eroded in March, falling to ₹5.78 trillion at the end of February from ₹7.57 trillion at Feb-end. Contribution through SIPs marginally improved 1.5 per cent to ₹8,641 crore in March. For FY20, SIP contribution crossed ₹1 trillion-mark.

Govt begins mapping...

The data is to be collected from three sources primarily: Relief camps or shelters (district-wise), employers whose labour is in-situ at workplace, and from localities where migrant workers generally reside in a cluster. The data will be taken from relief camps operated by non-governmental organisations and companies as well.

The database will ascertain whether the migrant workers have bank accounts or bank accounts opened under the Pradhan Mantri Jan Dhan scheme, whether the workers get benefits of free gas cylinders for cooking under the Pradhan Mantri Ujjwala Yojana, and their Aadhaar numbers.

The data will be segregated on the basis of occupation too. The list of occupations include agriculture, domestic work, rickshaw pulling, security service, work at brick kilns, automobile work, food processing, and building and construction work. Sector-wise data will be sought from the employers. The piece of information is supposed to be collected by district administrations in states. The labour commissioners will be working in coordination with them "for obtaining the details of migrant workers". The government will attempt to map the pattern of migration and workers will be asked about their last place of residence and their native place.

A government official said data collection was an important step towards the government announcing contingency measures for the migrant workers in case the lockdown was extended.

Since data collection may pose a challenge and the government requires to collect it in a short duration, officials of the Employees' Provident Fund Organisation and Employees' State Insurance Corporation (ESIC), along with labour welfare commissioners, will also be roped in for help in some states.

"The database will also help the central government to make arrangements to transport workers to their homes from relief camps or bring them to cities for work, if they desire. But this idea is at a nascent stage as it will depend on the final decision on lockdown," another government official said. The official added that the government also wanted to prepare itself for contingency measures in case there were coronavirus-infected people living in shelter homes.

According to the central government's estimates, part of its response to a petition filed by activists Anjali Bhardwaj and Harsh Mander in the Supreme Court, around 1.03 million people are residing in relief camps. But this might be an underestimation because the information was not captured from all the shelter homes. Additionally, at least 1.5 million workers are being provided shelter by employers across the country.

More on business-standard.com

BS SUDOKU # 3021

7	4	5	9	8				
	9					8	4	5
1	3				4			
3	5	4				9		8
	1	6		5	8		3	2
		7		1			5	6
5					1	2		9
	7				5	1		
8	2		7	9				

SOLUTION TO #3020

4	7	9	1	5	6	8	2	3
2	5	1	4	3	8	9	7	6
3	6	8	2	9	7	4	1	5
5	8	7	9	2	3	6	4	1
1	2	3	5	6	4	7	9	8
6	9	4	7	8	1	3	5	2
7	4	6	8	1	5	2	3	9
9	3	5	6	4	2	1	8	7
8	1	2	3	7	9	5	6	4

Very 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

Govt okays ₹15,000-cr emergency fund

No Customs duty, health cess on masks, ventilators

RUCHIKA CHITRAVANSHI
New Delhi, 9 April

CORONAVIRUS PANDEMIC

The Centre announced a coronavirus disease (Covid-19) emergency response and health system preparedness package of ₹15,000 crore to support efforts to combat the pandemic and prepare for future outbreaks.

Of this, ₹7,774 crore will be utilised for immediate response, the rest for medium-term support of 1-4 years, which would be provided under mission mode, a press statement said.

A major share of the expenditure will be used for mounting a robust emergency response system, strengthening pandemic research and multi-sector national institutions, and national and state health systems.

"The fund is specifically formed as an emergency response to ensure health system preparedness. We have written to states about the fund and will share more information with detailed instructions," Lav Agarwal, joint secretary at the health ministry, told reporters. The fund will be used to procure essential medical equipment, drugs, personal protective equipment (PPE), masks, and ventilators. It can also be used for activities such as community surveillance, upgrading hospitals, and ambulances.

The first phase of the scheme has to be implemented by June. Some of the main activities that have to be undertaken in the first phase include setting up dedicated Covid-19 hospitals, isolation blocks, additional human resources, oxygen supply, disinfection of hospitals, government offices, and public utilities.

A total of 223 labs comprising a network of 157 government and 66 private laboratories are conducting screening for Covid-19.

Around 20 domestic manufacturing units have been developed to manufacture PPEs. Orders for over 17 million PPEs and 49,000 ventilators have already been placed. "Supplies have started coming in now. We have to use these items such as masks, PPEs in a rational manner and there is limited availability," said Agarwal.

The government on Thursday also exempted ventilators, face and surgical masks, PPE, and Covid-19 test kits from the basic import duty and a steep health cess for six months to overcome shortage of these amid rising cases of the global pandemic in the country. Besides, it did away with import taxes on the inputs for manufacture of these products to promote domestic production to meet the elevated demand.

With inputs from Dilasha Seth

WE WOULD HAVE HAD 820,000 CASES BY NEXT WEEK IN NO LOCKDOWN: GOVT

Policemen outside the sealed KDP Grand Savanna society, marked as a Covid-19 hotspot, in Ghaziabad. The government on Thursday claimed initial success in its fight against the pandemic, saying it would have been hit with 820,000 cases by next week had it not imposed the nationwide lockdown PHOTO: PTI

GOING VIRAL

- **Govt planning ₹50,000-cr** loan to state power utilities, according to a *Bloomberg* report
- **Uber starts disbursing** money to drivers from ₹25-crore fundraise
- **Actual number of positive cases at least four times** the reported count: Biocon chief Kiran Mazumdar-Shaw
- **Delhi HC suspends summer break** to make up for work loss
- **ESIC dedicates 2,152** hospital beds for Covid-19 patients
- **BoB slashes deposit** rates up to 75 basis points
- **Karnataka ministers,** legislators to take 30% pay cut for a year
- **Shopowner booked** after 35 workers found living in unhygienic conditions in Delhi's Bengali Market
- **Kerala seeks nod** to issue Special Pandemic Relief Bonds

Fed rolls out $2.3 trn to bolster local govts, small & medium biz

REUTERS
Washington, 9 April

The US Federal Reserve, or Fed, on Thursday rolled out a broad, $2.3-trillion effort to bolster local governments and small and mid-sized businesses in its latest move to keep the US economy intact as the country battles the coronavirus pandemic.

The Fed said it would work through banks to offer four-year loans to companies of up to 10,000 employees, and begin to directly lend to state governments and more populous counties and cities to help them respond to the crisis.

In announcing what may prove to be the Fed's most groundbreaking steps in the battle against the virus, Fed Chair Jerome Powell said the central bank's role had now broadened beyond its usual focus on keeping markets "liquid" and functional, to helping the US get the economic and financial space it needs to fix a dire health emergency.

"Our country's highest priority must be to address this public health crisis, providing care for the ill and limiting the further spread of the virus," Powell said in a statement on Thursday.

"The Fed's role is to provide as much relief and stability as we can during this period of constrained economic activity, and our actions today will help ensure that the eventual recovery is as vigorous as possible." Though many of the programs are due to remain open only until September, Powell said the Fed's commitment would only be limited by the need to get the pandemic controlled and try to build a robust recovery.

GLOBAL PICTURE

- **US weekly jobless** claims top 6 million for second straight week
- **Boris Johnson** continues to improve in ICU with Covid-19

- **Lufthansa losing €1 million per hour,** will need State aid: CEO
- **Canada loses 1 million jobs** in March as coronavirus hammers labour market
- **Iran says virus deaths pass 4,000,** but cases dropping
- **Singapore reports 287 new coronavirus cases** in biggest daily jump
- **Spain sees daily drop in virus deaths,** tally over 15,000 now
- **French economy stuck in slump,** with 36% of activity lost
- **China reclassifies dogs as pets,** not livestock, in post-virus regulatory push
- **Saudi King and crown prince** in isolation, senior prince in intensive care

Maharashtra sees 25 deaths in a day

The bulk of new cases were reported in Mumbai; APMC, Vashi fruit and vegetable market to shut

PRESS TRUST OF INDIA & RAJESH BHAYANI
Mumbai, 9 April

With 229 people testing positive on Thursday, the number of coronavirus cases in Maharashtra reached 1,364, a health official said. The state also reported deaths of 25 Covid-19 patients, taking the death toll so far to 97, he added.

The bulk of new cases were reported in Mumbai.

"Both the number of new patients and that of deaths are highest for a single day so far," the official said.

In Mumbai's Dharavi, one of the biggest slums in Asia, a 70-year-old died. At the same time, 125 persons have recovered and have been discharged from hospitals in the state so far, he informed.

Containment zones rise to 381 in Mumbai

Despite the lockdown in Mumbai, the number of containment zones — where one or more coronavirus patients or suspected cases are found — increased from 146 last week to 381 on Thursday.

This shows a rapid rise in containment zones by 235 in just eight days. Of the Covid-19 cases in Maharashtra, over 800 have been reported from Mumbai. The metropolis has also reported 45 deaths.

According to the Brihanmumbai Municipal Corporation (BMC), these zones include various buildings, housing societies, slum pockets and hospitals.

Over 80% of state's cases recorded in April

While in the last one month, Maharashtra has reported the highest cases in the country, the data reveals that 80.61 per cent of the cases were detected in the first eight days of April.

An isolation centre at the NSCI dome in Mumbai's Worli PHOTO: KAMLESH D PEDNEKAR

The first three cases were reported in Maharashtra on March 9 when the state legislature's Budget session was underway. The tally crossed 100 on March 23. The daily increase soon entered double digits, except on March 26 when only two cases were reported.

APMC, Vashi fruit and vegetable market to shut

After a case in one of the segments of Vashi APMC in Navi Mumbai and after representation of many fruits and vegetable traders associations in Mumbai, Turbhe and nearby areas, the Mumbai Agriculture Produce Committee (APMC) closed the vegetable, fruit, onion, and potato segments of the market till further notice.

Industries can delay rental payments

To help the industry come out of the disruptions caused by the pandemic, the Maharashtra industries department on Thursday allowed companies to delay lease rentals. It will also look into the industry demand for lowering or rescheduling power and water bills.

DHFL promoters found at farmhouse, detained for violating lockdown order

PRESS TRUST OF INDIA
Mumbai, 9 April

DHFL promoters Kapil (*pictured*) and Dheeraj Wadhawan were detained at Mahabaleshwar in Maharashtra's Satara district on Thursday for violating prohibitory orders amid lockdown, police said.

Police found 23 people including members of the Wadhawan family at their farmhouse, an official said.

Maharashtra Home Minister Anil Deshmukh said a probe will be conducted into this. "Will probe how the 23 members of the Wadhawan family got permission to travel from Khandala to Mahabaleshwar," Deshmukh tweeted.

According to local police officials, the Wadhawan family along with others travelled from Khandala to Mahabaleshwar on Wednesday evening in their cars, even when both Pune and Satara districts are sealed amid ongoing lockdown for containing coronavirus.

Kapil and Dheeraj Wadhawan are accused in YES Bank and DHFL fraud cases. They were spotted at their farmhouse by civic authorities, officials said.

All 23 people will be booked under section 188 of IPC (disobedience of lawful order of public servant), said a senior official of Mahabaleshwar police station.

Police found 23 people including members of the Wadhawan family at their farmhouse, an official said

Later, speaking to *ABP Majha* news channel, home minister Deshmukh said that principal secretary (home) Amitabh Gupta had apparently given the Wadhawans a letter, permitting the family to travel to Mahabaleshwar.

"Such letter is given only in emergency....On Friday detailed information will be collected and action will be taken keeping in mind the protocol. What happened was not right," the minister said.

He will also discuss the matter with Chief Minister Uddhav Thackeray, he added.

MEANWHILE...

Google to pay for news in France

BLOOMBERG
9 April

Google was ordered by French antitrust regulators to pay publishers to display snippets of their articles after years of helping itself to excerpts for its own news service.

The French antitrust agency gave the Alphabet unit three months to thrash out deals with press publishers and agencies demanding talks on how to remunerate them for displaying their content.

The search engine giant may have abused its dominant market power, causing "serious and immediate harm" to the media, the Autorite de la concurrence warned in its statement on Thursday.

European publishers have been pushing regulators for over a decade to tackle the power of Google, which has lured away billions of euros in advertising revenue. This is the first time they have landed a punch. The EU has failed to act on complaints that Google unfairly displays publishers' content.

"What's clearly out of the question now is that the talks end with the same result as before: zero," said Adrien Giraud, a lawyer who represents a grouping of newspapers, including *Le Figaro*, *Les Echos* and *Le Monde*. He says Google can expect publishers to reach out "as soon as this afternoon".

The move is the latest crackdown on Silicon Valley by the French watchdog. Last month,

Apple was fined a record €1.1 billion ($1.2 billion) after the US tech giant was criticised for anti-competitive agreements with two distributors over the sale of non-iPhone products such as Apple Mac computers.

Google said it would comply with the French competition authority's order, known as interim measures, and pointed out that it had already begun talks with publishing groups.

"Since the European copyright law came into force in France last year, we have been engaging with publishers to increase our support and investment in news," Google's Richard Gingras said in a statement. French antitrust regulators said the Google talks should cover amounts owed retroactively starting from October 24 and the entry in force of new copyright law in France.

Complaints were lodged in November by several publishers grouped together in the *Syndicat des editeurs de la presse magazine* and the *Alliance de la Presse d'Information Generale* as well as *Agence France-Presse*.

Delhi asks trade unions to help find labour

ARCHIS MOHAN & AVISHEK RAKSHIT
New Delhi/Kolkata, 9 April

The Delhi government turned to trade unions to help it find the necessary workforce to labour in the national capital's factories and warehouses, and also for transportation and distribution of essential commodities.

The Centre and state governments are struggling to restart at least some industrial activity as it becomes apparent that the 21-day nationwide lockdown imposed to check the spread of coronavirus disease (Covid-19) could be extended beyond April 14, and stocks of essential commodities need replenishing across the country.

State governments, particularly those like Delhi that witnessed an exodus of migrant workers after the lockdown was announced, say there are not enough labourers in the city to work in factories and warehouses.

On Wednesday, the Delhi government's labour commissioner issued an "appeal" to all registered trade unions to "help/coordinate/facilitate in helping" factories and warehouses "in procuring adequate workforce".

In the appeal, Manoj Kumar, Delhi government's secretary and labour commissioner, said this was the need of the hour "so that citizens of Delhi may get uninterrupted supply of essential foods and groceries." "Your cooperation and help in this hour of need will be a great help for citizens of Delhi," Kumar stated.

Labourers in New Delhi ignore the social distancing norm PHOTO: DALIP KUMAR

Kumar further said that "those factories warehouses and transportation and distribution operations involved in processing and supply of essential foods and groceries should get uninterrupted supply of work force".

In Kolkata on Thursday, West Bengal Chief Minister Mamata Banerjee told industrialists that her government had allowed movement of some taxis to ferry workers and allowed three additional people on trucks to aid in loading and unloading goods to boost movement of essential goods.

Local small, medium-sized goods carriers have been given permission to ply if carrying essential items. Tea estates in the state have also been allowed to open, provided they have only 15 per cent of workforce.

Banerjee said exceptions were being made for industries where continuous process was applicable and petitions to open plants would be reviewed on a case-to-case basis. However, Chief Secretary Rajiva Sinha clarified that only industries producing essential items would be allowed to function.

On Thursday, Chhattisgarh Chief Minister Bhupesh Baghel said his government was trying to ensure that some factories, particularly flour and *daal* (pulses) mills, start operations.

Baghel said Prime Minister Narendra Modi was hasty in announcing the lockdown on March 24, which led to shutting down of flour mills in his state. Also, prices of commodities and vegetables skyrocketed. "We are now trying to repair the situation. We have allowed factories to open, but under strict conditions. Flour, daal mills and those manufacturing pesticides for farmers have opened," he said.

Baghel said his government had spoken to factory owners and industrialists about ensuring that workers get two meals a day and wages. "Workers were ensured a month's wages, food and shelters. Industry took care of 39 lakh (3.9 million) workers so that they are not seen on roads," he said.

Chhattisgarh has reported only 11 Covid-19 cases so far, one of the lowest in the country, and Baghel is not keen for the lockdown to end or for inter-state transit to be opened at the current juncture, as this could lead to entry of patients.