

# 12 ECONOMY

**MARKET WATCH**

**FPIs PULL OUT RECORD ₹1.1L CR IN MAR**

New Delhi: Foreign portfolio investors (FPIs) have net withdrawn a record Rs 1.1 lakh crore from the Indian markets in March as the coronavirus pandemic dented investor sentiment worldwide, according to latest depositories data. **PTI**

**TO HAVE TEAMS FOR META-DATA & AI ANALYSIS, PRO-ACTIVE RISK ASSESSMENT CELL**

## Reserve Bank setting up exclusive wing for banking fraud oversight

AASHISHARYAN  
NEW DELHI, APRIL 5

THE RESERVE Bank of India (RBI) is in the process of putting together an exclusive wing for banking fraud oversight, which will have teams for meta-data processing and analysis, artificial intelligence analysis units, as well as pro-active risk assessment cell, sources close to the development said.

The banking regulator is also planning to bring in experts from the private sector working in all these domains to train the new members in the fraud oversight wing. These training sessions are to be repeated every year in the initial years, the sources said.

The new team is likely to be formed as soon as within the next month, and could have a

### EXPLAINED Veterans to guide teams; training in latest technologies

THE IDEA of a fraud oversight wing was floated in October 2019 by the top management of RBI. The working conditions, however, were very strict and anyone opting for that cadre would not be allowed to leave for three years.

To overcome the problem, the RBI sought to create an entire new wing and hire fresh people, including industry veterans who would lead the teams. These new teams will also be given training in the latest technologies, so that they can also prevent another Yes Bank kind of event.

capacity of up to 600 officers, the sources said, adding that the perception of the RBI's inaction in the Yes Bank case had sped up the process.

"There was one RBI director on the Yes Bank board, who had the help of three mid-level executives. They had never done credit risk assessment task in

their career so far, so it was difficult for them to flag what was happening," a source said, requesting anonymity.

The RBI, on March 5, superseded the board of Yes Bank and placed it under immediate moratorium. Withdrawals from the bank were also capped at Rs 50,000. The banking regulator had then appointed former State Bank of India Chief Financial Officer Prashant Kumar as the bank's administrator.

A day later, the RBI revealed a reconstruction plan for the private sector lender, which had then suggested a possibility of SBI, India's largest bank, acquiring a 49 per cent equity stake. SBI later committed to invest up to Rs 7,250 crore in the beleaguered private sector lender.

After the loan fiasco at Punjab National Bank, the RBI

had been mulling ways to proactively detect such frauds.

As part of that plan, the banking regulator had late last year moved to create a separate cadre of its own employees who would work in regulation and oversight sections.

There were some initial teething troubles due to which the section could never get to actual ground work, sources said.

Apart from the new division, the banking regulator is also likely to move swiftly to fill its vacancies, as it faces a shortage of staff.

"We found that in divisions or for work where we should have 20 people working on a case, there were only 7-8. Naturally they will be overworked all the time and the bank will face human resource management issues," another official said.

**INTERVIEW WITH METRO CASH & CARRY INDIA MD & CEO**

## 'Expect shortage of some essentials; seeing decline in footfalls of kirana customers'



**Arvind Mediratta, METRO Cash & Carry India MD & CEO**

THE EFFECTS of disruption in transportation and the labour force on account of the lockdown has been felt across the country's entire retail supply chain. This includes the wholesale distribution system that is not only reporting a hit in inflow of certain essential goods but also with retailers not turning up to restock their own supplies. MD & CEO of one of India's largest B2B sellers, METRO Cash & Carry India, ARVIND MEDIRATTA, told PRANAV MUKUL in an interaction that the company, with 27 wholesale stores across India, was also learning from its sister stores in Europe and Germany about consumption and buying patterns across various stages of COVID-19 to stock its supplies accordingly. Edited excerpts:

**Is METRO facing any supply chain-related issues towards receiving stocks caused by trucks being stranded across state borders?**

Yes, a lot of trucks are stuck in inter-state borders carrying essential items, along with non-essential items in the same vehicle. Otherwise, exclusive essential items trucks are on the move. In some cases, police is stopping the vehicles at the borders and, in some places, the drivers are not reporting on duty due to the scare of the outbreak. Due to these problems we are facing issues in receiving stocks from our supplier partners.

Also, initially we had issues delivering essential supplies to our kirana customers as there was lack of implementation of advisories from central government at the state level across all states. With regular conversations with relevant authorities and timely intervention from the central government, these issues are being ironed out.

**Is the company facing any issues due to shortage of labour at its warehouses, stores or within its transport chain?**

For the past two days, we are facing some issues to get labour into warehouses of Bengaluru, where attendance is around 50 per cent. Compared to other warehouses in the vicinity, this attendance is good but we are working with our third-party partners to improve the attendance. Since most of the warehouse labour is local, local issues like decisions taken by surrounding villages to close village entries for movement of people, propaganda of new infections reported in nearby towns push the labour back to homes.

There is no issue with transport within METRO supply chain network. All our vehicles, people have secured required permissions to work. Our vehicles are plying from warehouses to stores. The big challenge is in getting trucks from suppliers as there is a huge scarcity of trucks in the market.

Over the last week, we have been struggling with an average attendance of 30-40 per cent at the stores. Given we are in the essential services business, this is well below sub-optimal and there is immense pressure on store staff to manage the inflow

of customer. With local transport unavailability during the lockdown, most employees at shop floor level are reliant on public transport and do not have their own vehicles to commute.

Of our total staff strength, 25 per cent is female, who are unable to commute under these circumstances. Furthermore, public transport is not accessible and therefore people who left for their hometown are not able to join back despite their willingness to do so. Across most locations, the police is not accepting company ID cards or company letters granting permission.

In addition to these issues, there are other societal and family pressures that the staff is facing. The staff is highly dependent on local food vendors/hawkers/dhabas post-store working hours. With the current lockdown, these vendors are unavailable and there are no food options present. The company cafeteria and other employees are trying to provide support in this regard. The employees are also facing family and community pressure. Local landlords and locality are not supportive of staff working with essential services.

We have made provisions to ensure our staff is well protected and taken care of. Upon the government's orders, passes have been given to our staff, so that they are not stopped or harassed by local police authorities.

**Has the company faced any supply hit from particular brands for FMCG goods?**

We have stock of all the essential food items — rice, dal, atta stock at our stores for next 2 weeks. Having a global presence has given us several learnings. We have been having regular meetings with our headquarters in Germany and other European countries where we have operations to understand the consumption and buying patterns in different stages of COVID-19.

As far as food items are concerned, we will eventually witness shortage in pulses and whole spices as these items are largely transported from states like Rajasthan, Gujarat and Madhya Pradesh, as these states were restricting movement of goods earlier. The demand for packaged food products like biscuits and noodles is likely to see a spike but since the production has been hit, there will be a shortage.

For FMCG companies, pro-

duction units have stopped there is manpower challenge coupled with transportation issues.

Furthermore, interpretation of the advisories at the state level is a major problem which is impacting the production for most companies, thereby resulting in the disruption of the entire supply chain. Depot operations of many FMCG companies were constrained severely last week. It is improving gradually. As of now only about 40 per cent of FMCG essential supplies are running smooth, others hit with labour and transport issues. Only about 80-85 per cent of FMCG essential business warehouses are operational now. Major FMCG brands with supply constraints are HUL, ITC, Nestle, Britannia, etc.

**Over the last one week, has there been any significant change in the company's customers turning up to replenish their own stocks?**

There is an irregularity in store footfall as a result of several reasons. Initially the footfall increased as customers felt our stores may not stay open and stocks could become an issue. However, in the past one week or so there has been a significant drop as customers are scared to come out of their homes or in some cases they are not even allowed to come out. In some cities, they are not being issued passes which would allow them to buy essential commodities and food items.

There is also a fear of getting harassed by the cops. Footfalls have also dropped because of disruption in store operations. Some stores are allowed to stay open only until noon while some stores are allowed to operate for limited hours. For our stores in Surat, Amritsar, Jalandhar, Lucknow and Meerut, we are only given permission to do home deliveries.

**Geographically, METRO stores in which states are the most affected in terms of supply shortage arising from disruption of transport systems?**

Our stores located in Nashik, Delhi, Jaipur, Kolkata, Hyderabad, Indore & Ahmedabad have seen disruption due to transport unavailability. However, we are working with our transport partners, picking stocks from FMCG company depots and factories to mitigate the crisis of transport. Our stores had a shortage of pulses and whole spices as the movement of trucks was restricted in Madhya Pradesh, Gujarat and Rajasthan. There was no shortage in the supply of Atta and Oil.

As rice is produced locally in most states, the restriction did not impact the supply, likewise the case with wheat and flour. We also increased the availability of our own brands at stores to cater to the demand.

Disruption also occurred due to sudden increase of freight and transportation costs by transporters and caused the shortage of trucks. The government so far has not reduced the costs of diesel/fuel.

## Tighter export ban norms for anti-malarial drug

PRESS TRUST OF INDIA  
NEW DELHI, APRIL 5

THE GOVERNMENT has tightened the export ban norms on anti-malarial drug hydroxychloroquine by including special economic zones (SEZs) under its prohibition ambit to ensure there is no shortfall during COVID-19 crisis.

The drug is not allowed to be shipped by export oriented units (EOUs) or under any export promotion scheme. "The export of hydroxychloroquine and formulations made from hydroxychloroquine...is no longer allowed from SEZs/EOUs or against Advance Authorisation or against full advance payment," the DGFT said. Normally export ban or restrictions imposed by the government does not apply on these zones as well as EOUs.

## Centre allows new lessees to mine for 2 years before getting fresh clearances

JAY MAZOOMDAAR  
NEW DELHI, APRIL 5

AIMED AT ensuring ease of doing business and continuity in the supply of minerals to industries, the Environment Ministry has held that the successful bidder of a mining lease "shall be deemed to have acquired valid prior environmental clearance vested with the previous lessee for a period of two years" — provided the new lessee "shall apply and obtain prior environmental clearance" within that period.

The Ministry's move, in an order issued on March 28, was necessitated by the need to align government policies after the Mines and Minerals (Development and Regulation)

### 'NEED TO ALIGN GOVT POLICIES'

■ The Environment Ministry's move, in an order issued on March 28, was necessitated by the need to align government policies after the Mines and Minerals (Development and Regulation) Act, 1957, was amended in January 2020 to include provisions for transfer of statutory clearances

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The Supreme Court, on

February 7, 2018, directed successful bidders to obtain fresh environmental clearances while hearing the Goa Foundation versus Sesa Sterilite Limited matter. Accordingly, the Environment Ministry, on November 29, 2019, notified that new lessees would have to obtain fresh clearances through "an expeditious mechanism."

It took the Ministry four months to modify its position and allow a two-year window for continuity. The March 28 notification also clarified that "transportation of already mined out material lying within the mining leases... by the previous lessee, after the expiry of the said lease, shall not form the part of the mining capacity so permitted to the successful bidder."

## Lockdown to have deeper impact, 52% foresee job losses, as per CII CEOs Snap Poll

PRESS TRUST OF INDIA  
NEW DELHI, APRIL 5

THE CORONAVIRUS outbreak and the subsequent country-wide lockdown has deeply impacted India's economy, with a majority of the firms expecting a significant decline in revenues, falling demand and job losses, according to a CII CEOs Snap Poll.

The online survey saw a cross-country participation of around 200 CEOs across sectors.

Most firms (80 per cent) claimed that their inventory was lying idle at present.

## Life insurance policyholders get 30 days more to pay premium

PRESS TRUST OF INDIA  
NEW DELHI, APRIL 5

IRDAI HAS provided an additional 30-day grace period for policyholders to pay premium on life insurance policies, whose renewal date fall in March and April amid the lockdown to fight against coronavirus pandemic.

Insurance Regulatory and Development Authority of India (Irdai) has already provided additional time for payment of renewal premium in case of health insurance policies and motor third party insurance.

The insurers and the council had flagged operational constraints and difficulties being faced by policyholders due to the nationwide three-week lockdown and social distancing advisory.

## Housing sales may fall 35% in 2020: Anarock

India's residential real estate has been severely hit by the nationwide lockdown and sales could fall by up to 35 per cent across seven major cities during the 2020 calendar year following the outbreak of COVID-19, as per Anarock

EXISTING PROBLEMS

- Subdued demand
- Liquidity crisis

OUTLOOK

- With a screeching halt to site visits, discussions, documentation and closures, the early indicators depict that the sector will likely face a tough time for the next few quarters and recovery will be pushed further away by at least a couple of years

BASE CASE

- Sales could drop 25 per cent to 1.96 lakh units this year from 2.61 lakh units in 2019 across seven major cities — Delhi-NCR, Mumbai Metropolitan Region (MMR), Kolkata, Chennai, Bengaluru, Pune and Hyderabad



DOWNSIDE CASE

- Housing sales might drop by 35 per cent to 1.7 lakh units this year

FRESH SUPPLY of homes is likely to register an annual decline of 25-30 per cent this year from nearly 2.37 lakh units in 2019

COMMERCIAL REAL estate is not immune to the COVID-19 fallout

CORPORATE OCCUPIERS are seen delaying their leasing decisions and several businesses are testing the work-from-home option

Source: Anarock/PTI

**30%:** While net office space leasing could fall by up to 30 per cent to 28 million sq ft this year from 40 million sq ft in 2019, the absorption of retail area might drop 64 per cent to 3.1 million sq ft from 8.5 million sq ft

## From deficit to excess: Dairies grapple with surplus milk during lockdown

HARISH DAMODARAN & PARTHASARATHI BISWAS  
NEW DELHI/PUNE, APRIL 5

TILL THE lockdown happened, Dodla Dairy Ltd was selling around 13.5 lakh litres per day (LLPD) of pouch liquid milk, curd and butter milk, while planning to step it up to 15 LLPD in the peak April-June summer consumption period.

The Hyderabad-based firm, however, was struggling with its average milk procurement at only 9 LLPD. To meet the gap, it was sourcing 2-2.5 LLPD from other private and cooperative dairies, apart from buying skimmed milk powder (SMP) and ghee/white butter for reconstitution.

But, during the lockdown, the equation has completely changed: Dodla Dairy's sales are today down to just 8.5 LLPD, below even its procurement of 9 LLPD. "Till 15 days ago, we were paying Rs 330-340



A shop selling milk, during the lockdown, in Mathura. **PTI/file**

per kg for SMP. Those rates have now dropped to Rs 220-230, but we no longer need any third-party milk, SMP or fat. Coronavirus has helped restore balance and what our own farmers are supplying is more than enough to take care of demand," says D Sunil Reddy, managing director of the company, which recorded Rs 169 crore in sales in 2018-19.

Reddy attributes 60 per cent of the 5 LLPD fall in his sales to the closure of the HORECA (hotels, restaurants and catering) businesses. The balance 40 per cent is on account of reduced purchases, including by migrant labourers in cities such as Bengaluru who have gone back to their villages.

This is not unique to one dairy. The Kolhapur District

Cooperative Milk Producers Union, which markets pouch milk under the Gokul brand, was — prior to the lockdown — selling 11-11.5 LLPD and procuring just about the same quantity. Today, it is able to hardly sell 8-8.5 LLPD. The Pune District Cooperative Milk Producers' Union's procurement of 2.3 LLPD, too, barely matched its sales of 'Katraj' brand liquid milk until 10-12 days ago. Its sales have now dipped to slightly over one LLPD. From not having any surplus milk for other products — SMP, ghee, ice-cream or shrikhand — both dairies are grappling with excess supplies. Gokul dairy, on Thursday, was forced to reduce its procurement price paid to farmers from Rs 31 to Rs 29 for milk containing 3.5 per cent fat and 8.5 per cent SNF (solids-not-fat).

"It's not only HORECA demand that has collapsed. There are also no marriages and other functions taking place, with collages and

even hostels of coaching centres such as Narayana and Sri Chaitanya shutting down. February to May is generally when sales of curd, flavoured milk and other products to these institutional segments shoots up. This time, it is different and nobody other than households are buying," explains E Nageswara Rao, managing director of Vallhabha Milk Products Pvt Ltd.

Until at least mid-March, there was talk of India's milk output falling for the first time in 2019-20 and domestic dairies having little stocks of SMP and fat to tide over demand during the summer, when production by animals also tends to fall. It was being projected that the country would have to even import up to 1 lakh tonne of SMP. But the coronavirus pandemic and the lockdown have led to prices of white butter (82 per cent fat content) crashing from Rs 290-310 per kg to Rs 250-260 per

kg. "Even at these rates, no movement or purchase is happening," points out R Rajasekaran, managing director of AR Dairy Food Pvt. Ltd, which has a 1.5 LLPD liquid milk plant at Dindigul, Tamil Nadu. His firm, like many small- and mid-sized dairies, supplies 50 per cent or more of its milk to hotels and tea shops. That market has practically vanished.

With many private dairies, ice-cream companies and even khoa/chenna makers supplying to sweetmeat sellers slashing or discontinuing procurement, the excess milk is flowing to cooperatives. Gujarat Cooperative Milk Marketing Federation has seen its procurement jump almost 15 per cent to 255-260 LLPD, from 225-230 LLPD at this time last year. "We are hiring 3-4 outside plants for converting the surplus milk to powder. We normally do this (job-work conversion) during the flush winter months, but never in April,"

admits R.S. Sodhi, managing director of India's largest dairy concern better known as Amul.

Karnataka Milk Federation (Nandini) is at present collecting some 7 LLPD of extra milk, which the BS Yedyurappa-led government has decided to use for distributing free to the poor residents of urban slums across the state till April 14. The Maharashtra government, too, has started procuring up to 10 LLPD of surplus milk at Rs 25/litre for converting into SMP and fat. The scheme, to be operational for four months from April, is expected to cost Rs 400 crore.

"With prices falling and nobody to take their milk, many farmers have stopped giving compound cattle feed to their cows. They are afraid of increasing production and so just feeding them straw," notes Pradeep G Pai, managing director of Srikrishna Milks Pvt Ltd at Uttara Kannada in Karnataka.