

<b>GOLD</b>	<b>RUPEE</b>	<b>OIL</b>	<b>SILVER</b>
₹41,705	₹76.13	\$26.15	₹38,100

Note: Spot gold markets shut due to lockdown in major states. \*Indian basket as on March 19, 2020

## COVID-19 EFFECT PHARMA SECTOR

### Drug exporters urge RBI to extend deadline to pay dues by 6 mths

**PRABHA RAGHAVAN**  
NEW DELHI, APRIL 6

PHARMACEUTICAL EXPORTERS have approached the RBI, asking it to extend "at least" for six months their deadline to pay bankers dues of as much as \$600 million, claiming the industry has taken a hit during the ongoing novel coronavirus outbreak. The exporters fear failure to do so may lead to their businesses shutting down, leading to shortages of several crucial medicines, the chairperson of the Pharmaceuticals Export Promotion Council of India (PHARMEXCIL) told *The Indian Express*. "...we wish to inform you that our member companies, which are approximately 3,500 who generate value turnover of \$50 billion divided equally into \$25 billion each for domestic and exports... have approached us to request you to immediately consider at least an extension of six months for due payments against non-fund limits predominantly provided through Letter of Credit (LC) for making the payments to the bankers," stated PHARMEXCIL chairman Dinesh Dua in a letter to RBI Governor Shaktikanta Das. The industry witnessed "very serious" disruption both in manufacturing and supply chain operations, leading to a

"financial setback" that has prevented "all" pharmaceutical firms to continue producing and making available pharmaceutical products in India and overseas, Dua wrote in the letter dated April 4. Although classified as essentials, the industry is "not at all" able to operate beyond "at best" 25-30 per cent of their normal operational manufacturing capacity, he added. "The above will ultimately lead to acute shortage of life-saving pharmaceuticals both in India and overseas, particularly in friendly countries like the US, the EU, Asia, Latin America, CIS and Japan to some extent," he stated. According to Dua, LCs worth up to \$600 million will be due this month. However, shortages in raw material from countries like China, unpaid dues from importers and issues with obtaining no-objection certificates for firms to export from India have left corporates unable to refurbish their accounts with bankers. "This will result in the bankers terming these companies as NPAs. We just want that around \$350 million dollars of this is extended by six months while we all try to get out of this monstrous situation," he told *The Indian Express*. "The moment the banker takes away the LC limit and says the firm is dysfunctional or NPA, the firm will have no choice but to close down," he added.

## INDICES HAVE COME UNDER PRESSURE DUE TO COVID-19 PANDEMIC

# Market sell-off hits investor AUM, but fresh investments insulate MFs

**SANDEEP SINGH**  
NEW DELHI, APRIL 6

ALTHOUGH THE sharp fall of around 30 per cent in the value of benchmark indices — Sensex, mid cap and small cap — at the BSE has resulted in big losses for equity mutual fund investors, asset management companies seem to be largely unaffected by the same and their average equity assets under management (AAUM) has declined marginally by 0.6 per cent in the three-month period. According to the data available at AMFI and collated by *MyPlexus.com*, a mutual fund research and advisory firm, the AAUM of all equity schemes (including equity linked savings scheme, exchange traded funds and index funds) for the month of March aggregated to Rs 7,69,110 crore. This was down by Rs 4,525 crore or 0.6 per cent from an AAUM of Rs 7,73,635 crore, in December 2019. The decline in equity AUM is much lower than the market losses (on account of the fall in the equity markets) and industry players say it has been compensated by continued net inflows from investors. While the data of net inflow for March is yet to be released by the Association of Mutual Funds in India (AMFI), the net inflows into equity schemes for January and February amounted

HOW THE NUMBERS STACK UP		
EQUITY FUND CATEGORIES	AVG AUM FOR MARCH (₹ CRORE)	CHANGE OVER DEC '19 AAUM
Equity Multi Cap Fund	1,48,911.2	-1,384.9
Equity Large Cap Fund	1,44,581.4	-4,205.5
ELSS Fund	95,272.9	-1,493.9
Equity Mid Cap Fund	85,776.9	3,886.7
Equity Sectoral/Thematic	61,295.6	-1,879.4
Equity Large & Mid Cap Fund	55,390.5	275.6
Equity Small Cap Fund	48,385.9	1,374.4
Equity Value Fund	45,174.4	-4,063.8
Equity Focused Fund	42,375.2	1,215.5
Open Ended ETF	23,706.6	1,640.4
Others	18,239	109
<b>Total</b>	<b>7,69,109.5</b>	<b>-4,325.3</b>
	<b>INDEX VALUE</b>	<b>CHANGE (%)</b>
BSE Sensex*	29,468.50	-28.6
BSE Mid-cap Index*	10,569.90	-29.4
BSE Small-Cap Index*	9,608.90	-29.9

\*Value as of March 31 and change over December 31; source: MyPlexus.com

**E** Investors hold their nerves

THE STABILITY in MF industry AUM despite a sharp fall in benchmark indices shows that while investors resisted from selling their holding, but they also looked to use the fall as an opportunity to make fresh investments.

Investor has been very surprising and, at the same time, encouraging for them as despite the sharp falls in the market, investors have stayed with their investments and have not gone for redemptions. Several participants say while investors have continued with their monthly investments through systematic investment plans, several investors have also taken the fall in the markets as an opportunity to make fresh investments. Top executives with two leading mutual fund houses said even as the markets fell sharply, they did not witness any redemption pressure. "In fact, we have seen investors continuing with their scheduled investments and also coming with fresh investments. It is a very healthy development and shows that investors have become far more mature now," said the

CEO of an AMC. "This investor behaviour is in contrast to what we have seen in the difficult periods over the last two decades such as the financial meltdown and other pandemics like SARS. This points to the huge leap in maturity of average investor and more importantly the optimism that permeates through them," said Prasanjit Mukherjee, CEO, Plexus Management Services. Between December 31, 2019 and March 31, 2020, the Sensex fell 28.6 per cent and the mid-cap and the small-cap indices at the BSE fell 29.4 per cent and 29.9 per cent, respectively. However, the MFAUM data shows in the three-month period, several categories of equity schemes witnessed an increase in their AUM. For example, the mid-cap fund category saw a rise in average AUM by Rs 3,886 crore (4.75 per cent), schemes in the small-cap fund category saw an aggregate increase in AUM of Rs 1,374 crore (2.92 per cent) and the focused fund category witnessed an increase of Rs 1,215 crore (2.95 per cent) in the AUM for the period. The index funds (4.6 per cent) and open-ended ETF category (7.4 per cent) saw gains in their AUM. Among the categories of equity funds that saw a fall in AUM were multi-cap fund (-0.92 per cent), large-cap fund (-2.8 per cent), ELSS (-1.5 per cent) and equity value fund (-8.2 per cent).

## BRIEFLY

### 'Discoms have to pay within 45 days'

New Delhi: The Power Ministry has clarified electricity distribution firms will continue to be obligated to pay for power within 45 days of presentation of the bill.

### 'Self-KYC process for issuing SIMs'

New Delhi: The Apex Advisory Council for Telecom has approached the Centre to allow a self-KYC process for subscriber verification for new mobile connections.

### Infy COO is Nasscom chairman

New Delhi: Nasscom said it has appointed Infosys Chief Operating Officer UV Pravin Rao its chairman for 2020-21. PTI

### IDBI Bank contributes to PM-CARES

New Delhi: IDBI Bank has announced it is contributing Rs. 3,95,46,223 to the PM-CARES fund towards containment and relief efforts for the pandemic. ENS

## DGFT lifts curbs on 12 APIs except paracetamol

**PRABHARAGHAVAN**  
NEW DELHI, APRIL 6

THE DGFT has lifted curbs it imposed over a month ago on exports of drug ingredients like Vitamin B12 and progesterone during the COVID-19 outbreak, as per an official notification. However, exports of paracetamol will continue to remain restricted, which means companies would have to procure no-objec-

tion certificates to export it, *The Indian Express* has learnt. The restrictions were first implemented on March 3 due to a shutdown in COVID-19-affected Hubei, from where the ingredients were mostly imported. Operations in the Chinese province have since commenced, allowing for India to ease up on these restrictions on exports of 12 such active pharmaceutical ingredients (APIs) and the medicines made from them.

## 'Domestic air traffic to fall to 90 mn this fiscal year'

Domestic air traffic is expected to drop to 80-90 million passengers in the current fiscal year from an estimated 140 million in FY20, according to CAPA

- REASONS**
- COVID-related travel restrictions
  - Economic downturn
- OUTLOOK**
- The second quarter is historically the weakest period



for demand and hence airlines are only likely to limp back into recovery. As a result, the majority of the fleet is likely to be surplus to requirement during the first half of the current financial year. While FPIs sold their holdings worth a net of Rs 1,18,203 crore in March (Rs 61,972 crore from equity and Rs 56,230 crore from debt), DIIs pumped a net of Rs 55,595 crore into the capital markets during the month. The Sensex lost over 23 per cent in March as concerns grew on global growth over the next couple of years. Mutual fund industry participants say the behaviour of the in-

## Mitra writes to FM on 'disappointing' release of funds under 15th FC

**ENS ECONOMIC BUREAU**  
NEW DELHI, APRIL 6

HIGHLIGHTING THE "severe financial distress" being faced by states due to lower revenues and higher expenditure for tackling COVID-19, West Bengal Finance Minister Amit Mitra has written to Finance Minister Nirmala Sitharaman raising concerns over lower-than-expected release of funds by Centre as part of grants under 15th Finance Commission. Mitra, in his letter, said the state had requested advance release of revenue deficit grant under 15th Finance Commission amounting Rs

### West Bengal Finance Minister Amit Mitra also asked for raising the FRBM limit for the state to 5 per cent from 3 per cent

5,013 crore for April-June, with monthly installment of Rs 1,671 crore each. However, the government has released only Rs 417 crore for April "without taking into cognizance the unprecedented COVID-19 crisis". "This is most disappointing, if not shocking, at this critical hour of need to fight COVID-19

and disburse committed expenditures," Mitra said. He further asked for release of pending GST compensation payments and reiterated the state's demand for raising the FRBM limit for state to 5 per cent from 3 per cent. The Centre on Friday had released a total of Rs 17,287 crore in grants to states to enhance their financial resources during the COVID-19 crisis. In the wake of delayed GST compensation payments since October, and a lower revenue stream amid economic slowdown which has been worsened by the impact of COVID-19, states have been facing pressure on their finances.

## SEZs' units in Gujarat supply 54 mn tablets of hydroxychloroquine, PPEs

**AVINASH NAIR**  
AHMEDABAD, APRIL 6

A SUBSIDIARY of a Canadian firm at the Kandla Special Economic Zone (KASEZ) in Gujarat, used for the supply of raw materials to shoe and hand bag manufacturers in Panipat, is gearing up to make 6 lakh cotton masks a month and help the state government in its fight against the pandemic. The firm, BVH Manufacturing India Ltd, will join 15-odd pharmaceutical companies in Gujarat, which are currently functioning in SEZs during the lockdown period and making essential drugs including hydroxychloroquine. "We started our production on Sunday. We will be making three types of masks including the Level 1 masks worn by patients showing symptoms of the virus," said Steven Bethell, one of the directors of the company that has been operational in Kandla and has been

making components for shoes and handbags. "We are allowing only the units manufacturing essential goods to function in the SEZs. This includes the pharmaceutical units operating with a truncated staff are manufacturing very important drugs used in the fight against COVID-19, including hydroxychloroquine and its API formulations that is hydroxychloroquine sulphate. We are also making metronidazole, azithromycin, erythromycin and paracetamol. The government has banned the exports of all these essential drugs which are used in the combat of COVID-19," said Amiya Chandra, zonal development commissioner, KASEZ to *The Indian Express*. Currently, there are at least two companies — Rusan Pharma Ltd (KASEZ) and Amneal Pharmaceutical Pvt Ltd (Zydus SEZ) — that have a monthly capacity to manufacture 54 million tablets of hydroxychloroquine and

147 kg of API (Active Pharmaceutical Ingredients) formulation hydroxychloroquine sulphate. There are eight pharmaceutical companies in the SEZs of the state that have monthly manufacturing capacities for 5 million tablets of Azithromycin in doses of 250 milligram and 500 milligrams, 7.7 million tablets of metronidazole and 28.1 million tablets of erythromycin. Seven firms manufacturing PPEs in Gujarat have capacity to make 11.5 lakh cotton masks and aprons, 12,000 oxygen cylinders, 90,000 surgical gowns, 30,000 coveralls, 30,000 ICU bed sheets and 9,000 elastic bed covers. There are 125 industrial units that are functioning in 11 of the 18 operational SEZs in Gujarat. Of these, 42 are pharmaceutical firms, while the rest are largely in the IT/ITES space. The other functional units are those manufacturing essential goods like salt.

## INTERVIEW WITH ADITYA BIRLA SUN LIFE AMC MD & CEO 'Investors should not worry & remain hopeful of a repeat of upside'

A BALASUBRAMANIAN, MD & CEO at Aditya Birla Sun Life AMC, who manages assets worth Rs 2,47,520 crore, spoke to GEORGE MATHEW on the stock market fall, losses by investors and redemption pressures. Edited excerpts:

### Markets have fallen sharply in the last one month. Has the market reached the bottom?

The Sensex has fallen from the peak of 42,273 on January 20, 2020 by almost 40 per cent to its current level. Such a sharp fall has also brought the market to an attractive level. However, uncertainties around COVID-19 and the news flow around it still remains a hanging sword. While one can assume this will stay for some time, it appears that market has discounted negative news quite substantially within a matter of two months from its peak period. This makes me feel the market may have limited downside from here, say about 6-8 per cent, and can settle at these levels and begin to move



A Balasubramanian

up when the news flow reverses in favour of stability.

### Do you think markets have entered the bear phase? Will there be a recovery in the near future?

Broad economy across the globe will see a substantial slowdown due to lockdowns and with no activity in any sectors or any part of the economy for some

time. A complete lockdown has taken the earnings of the labour force across the nation. It has also taken away 3-4 months of earnings for majority of companies mainly in the discretionary spending space and also sectors like travel and tourism, hospitality, airports and ports, airline and transportation industry among others. Such a sudden drop in earnings naturally will have an impact on the savings of public at large and there is a likelihood of change in the behaviour of consumer spending. The government is expected to take decisive steps to revive economic growth. Therefore, equity market may see a bounce back purely on the basis of hope and optimism returning, which is the current missing piece.

### Investors, including MF investors, suffered huge losses in March. NAVs have plunged. How can they recover losses?

The coronavirus-related market impact has affected the entire

industry and investors across mutual funds have not made money this year post this unprecedented fall. The extensive market fall due to COVID-19 would have also impacted 2-3 year returns. I would assume markets will first come back to their normal range, stabilise and then begin to move up on the basis of fundamental changes. Therefore, one should keep the equity as a long-term investment and should probably look at investing more at the current level in order to build long term portfolio. Markets have recovered from substantial losses in the past as well... hence investors should not worry and remain hopeful of a repeat of the same upside that comes post a downturn, as has happened in the past.

### What should be the ideal investment pattern for retail investors during turbulent times like this?

In the current market environment, investors should have a

good mix of actively managed equity funds, debt funds and index funds or ETFs. MFs cater to all types of investor needs by offering products for different objectives from savings (liquid fund), income funds, long term wealth creation (large cap and multi cap funds) and for tax saving purpose (ELSS). Investors should have exposure across these four categories while planning their MF exposure.

### There are reports that MFs are facing redemption pressure. How are you tackling it?

Every year due to liquidity needs before financial year end, mutual funds do face redemption pressure and then it comes back with the start of new financial year. Purely on the basis of our experience, our fund managers had created liquidity to meet any such redemption and also look for buying opportunities if the yield spikes.

### Volkswagen loses 'dieselgate' UK class lawsuit

LONDON, APRIL 6

VOLKSWAGEN FACES the threat of a hefty "dieselgate" payout in Britain after a court Monday ruled in favour of more than 90,000 VW drivers whose vehicles cheated emissions tests. Following adverse rulings and compensation payouts elsewhere, the High Court in London ruled that the German auto giant was liable also in Britain. The ruling adds pressure on Volkswagen.