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Business Standard

CORONAVIRUS EFFECT P11
EPIDEMIC OF 2020: SETTING COURSE FOR A V-SHAPED RECOVERY

BRAND WORLD P10
INDIA CONSUMERS AMONG TOP 3 MOST NERVOUS IN THE WORLD

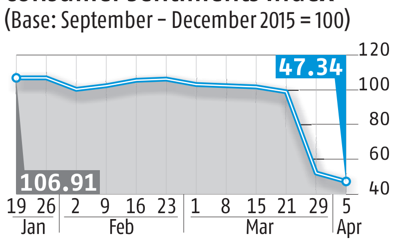
PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI (ALSO PRINTED IN BHOPAL), NEW DELHI AND PUNE

PMI SERVICES ACTIVITY CONTRACTS TO 49.3

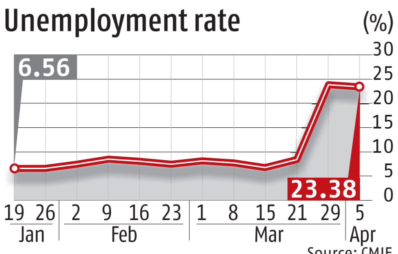
The Nikkei India Services Purchasing Managers Index (PMI) dropped steeply from February's more than a seven-year high of 57.5 to 49.3 in March. In PMI parlance, the 50-mark threshold separates expansion from contraction. Experts had hoped the services sector scaling an 85-month high in February would help it to tide over the ongoing corona crisis as rising new orders from overseas markets had created stable growth. 4

THE CMIE TRACKER

Consumer Sentiments Index
(Base: September - December 2015 = 100)



Unemployment rate (%)



Source: CMIE

UNEMPLOYMENT RATE OVER 23% P6

ECONOMY & PUBLIC AFFAIRS P4
Fearing spoilage, farmers sell onions at ₹3 per kg

Fearing their onion stock may get spoiled owing to the low shelf life of the late kharif variety and the demand disruption caused by the nationwide lockdown, farmers in Maharashtra's Nashik district are selling their produce at a loss — for as low as ₹3 a kg against the cultivation cost of ₹6 a kg.

ECONOMY & PUBLIC AFFAIRS P5
₹ fall lures MNCs to opt for Vivad se Vishwas

Some subsidiaries of multinational companies (MNCs) have approached the Income-Tax Department to ascertain their tax outgo if they avail of the Vivad se Vishwas (tax-dispute settlement scheme) on the basis of the latest exchange rate, said tax officials in the know. MNCs wish to take advantage of the differences in currency rates, sources said.

BS SPECIAL ON TUESDAY

MONEY MANAGER:
Rush hour ahead 9

Piecemeal regulatory forbearance will not go far and tougher questions will be asked of both Mint Road and banks, writes RAGHU MOHAN

Lawmakers take pay cut to combat Covid

Suspension of MPLAD funds for two years to save ₹7,900 crore

INDIVJAL DHASMANA & ADITI PHADNIS
New Delhi, 6 April

President Ram Nath Kovind, Vice-President Venkaiah Naidu, Prime Minister Narendra Modi, Union ministers, members of Parliament, and state governors will take a 30 per cent pay cut in 2020-21 to contribute to the Consolidated Fund of India (CFI) to help fight Covid-19. Besides, the member of parliament local area development (MPLAD) fund will remain suspended for 2020-21 and 2021-22, and the money, to the tune of ₹7,900 crore, will be transferred to the CFI.

The Cabinet cleared an Ordinance on Monday to slash salaries of parliamentarians and ministers, Information and Broadcasting Minister Prakash Javadekar said. Kovind, Naidu, and the governors also offered to take a 30 per cent cut in salaries, for which no ordinance is needed, he added. "Charity begins at home," Javadekar said.

While the minister stated the amount to be collected through suspending MPLAD funds, he did not disclose the sum to be mopped up by reducing the salaries. He also did not divulge whether the cuts would be from the basic salary or gross salary and allowances.

However, Press Information Bureau Principal Director General K S Dhatwalia later said in a tweet that it was only the MPs' salary and not the pension and allowances that would be reduced.

For a member of Parliament this would mean a ₹30,000 reduction from his or her basic monthly salary of ₹1 lakh. If all 780 sitting MPs are taken into account, this would mean a ₹28.08 crore contribution to the CFI in FY21.

While most MPs welcomed the move on salary cut, the decision to suspend MPLADS for two years led to some dissonance in the Opposition.

Turn to Page 10

COVID-19 CONTRIBUTION BY MPs

₹1 lakh Basic salary of an MP in a month	**780** Members in Parliament (542 in LS and 238 in RS)
₹12 lakh Basic salary in a year	**₹93.6 crore** Total basic salary of all MPs in a year

₹28 crore 30% cut in basic salary in a year

Source: Finance Act, 2018

PM suggests graded lifting of lockdown

Prime Minister Narendra Modi indicated on Monday the 21-day lockdown might end on April 14, but only for departments where hotspots of Covid-19 do not exist. At a meeting of the council of ministers, Modi suggested a "graded lifting of the lockdown", but also seemed keen that production, at least in sectors like pharmaceuticals, should be ramped up.

"A graded plan to slowly open departments where hotspots aren't existing should be made," the PM said. He asked whether the restrictions should be lifted sector-wise or district-wise, a source said. However, some states have written to the PM, expressing concerns at opening inter-state transit when the spread of coronavirus is increasing. ARCHIS MOHAN Turn to Page 10

83 SECL EMPLOYEES ON QUARANTINE P3

LOCKDOWN IMPACT

Bajaj Fin loses 350K customers in 10 days

Takes ₹4,750-cr hit on AUM

HAMSINI KARTHIK
Mumbai, 6 April

In a call with analysts on Monday, Bajaj Finance's management team, led by its Managing Director Rajeev Jain, said that over the past 10 days, the company had lost nearly 350,000 customers, impacting its assets under management (AUM) by ₹4,750 crore (3.22 per cent of total AUM as of March 31).

This explained why the 27 per cent AUM growth in the March 2020 quarter (Q4) compared weakly against its 7-quarter average growth of 37 per cent. Had the company not lost these customers, AUM for Q4 would have grown 31.5 per cent year-on-year (YoY).

"We are in an uncharted zone. We will be partially flying blind between April 15 and June 30," Jain warned.

The unprecedented lockdown has hurt the country's largest consumer finance company in more than one way. In a more truncated April-June 2020 quarter (anticipated to be a 60-day quarter because of the lockdown versus the usual 90 days), these performance parameters could come under severe pressure. The most evident impact will be on its business, which may return to normalcy in September if the lockdown is lifted on April 14. In the worst case, the business may rebound only by the March 2021 quarter. Turn to Page 10

WEAK ON ALL GROUNDS

One million

	New customers acquired	New loans booked (growth %)*	AUM in ₹ trn (growth %)*
Q4FY19	1.92mn	5.80mn	1.16
Q1FY20	2.46mn	7.27mn (24.7)	1.29 (11.2)
Q2FY20	1.92mn	6.47mn (-11.0)	1.35 (5.1)
Q3FY20	2.46mn	7.76mn (19.9)	1.45 (7.1)
Q4FY20	1.90mn	6.00mn (-22.7)	1.48 (1.7)

*sequential growth, AUM: Assets under management Source: Company presentation

"WE ARE IN AN UNCHARTED ZONE. WE WILL BE PARTIALLY FLYING BLIND BETWEEN APRIL 15 AND JUNE 30"
RAJEEV JAIN, MD, BAJAJ FINANCE

AT 704, INDIA SEES BIGGEST SINGLE-DAY RISE IN CASES

VIRUS TRACKER

INDIA		WORLD	
Total	4,281	Total	1,309,439
Active cases	3,851	Deaths	72,638
Recovered	318		
Deaths	111		

Note: Total cases include 1 migration; figures as of 11:00 pm IST; Sources: Ministry of Health and Family Welfare; Johns Hopkins Coronavirus Resource Centre

India lifts curbs on pharma exports

SOHINI DAS
Mumbai, 6 April

Amid growing pressure from countries like the US and easing supplies from China, India on Monday lifted the curbs on exports of 13 active pharmaceutical ingredients (APIs) and their formulations. Sources claim the ban on exports of hydroxychloroquine (HCQ) claimed to be effective to treat coronavirus may also be lifted.

"Exports were banned given the shortage of raw material in the country that could have, in turn, led to a crisis in the home market, especially for key drugs like paracetamol. The APIs for these drugs primarily came from Hubei province. But now the supplies have eased," said an official.

In the first week of March, India restricted the exports of 13 APIs and their formulations to ensure there was no shortage in the domestic market. These included common medicines like paracetamol, vitamins, some anti-virals, hormones, and common antibiotics like tinidazole, metronidazole, etc. Since exporting these items now needs the government's approval, there has hardly been any export in March. The process to get an NoC takes 30-45 days and hence exports have practically stopped.

In the first week of March, India restricted the exports of 13 APIs and their formulations to ensure there was no shortage in the domestic market

India also imposed a ban on export of HCQ (API and its formulations) after the drug came into limelight for its curative properties in treating Covid-19 cases. In the last week of March, the government had allowed exports on a 'case-to-case' basis on humanitarian grounds from special economic zones and export-oriented units. However, on April 4, India imposed a blanket ban. It was also around the same time when US President Donald Trump called Prime Minister Narendra Modi and discussed the issue of HCQ. In his daily news conference at the White House during the weekend, Trump said, "I called Prime Minister Modi... They make large amounts of hydroxychloroquine. India is giving it a serious consideration."

A leading exporter said: "There is enough stock of paracetamol in the country. At present, the US, which has become the epicentre of the Covid-19 outbreak, needs paracetamol. The US is worried that India's stance can lead to drug shortages in that market, as we supply almost 25 per cent of the generic medicines sold in the US." The exporter said India would lose its credibility as the "pharmacy of the world" if it adopts protectionist policies during such a crisis.

Apart from the 13 APIs and their medicines, HCQ, too, is produced in India in large quantities.

HYDROXYCHLOROQUINE SHARE IN INDIA'S PHARMA EXPORTS MINUSCULE P4

The rise & rise of MNCs on Street

Listed MNCs now account for 15% of total market capitalisation

KRISHNA KANT
Mumbai, 6 April

As the economic crisis due to Covid-19 holds dominion over India Inc, listed Indian subsidiaries of multinational companies (MNCs) continue to pull ahead of their domestic peers.

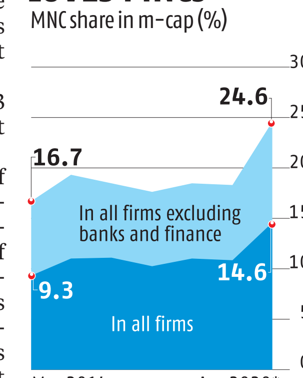
Listed MNCs now account for 14.6 per cent of the combined m-cap of all listed companies in the country. The share is the highest in at least six years and up from 10.9 per cent at the end of March last year.

They accounted for 9.3 per cent of India's m-cap at the end of March 2014.

With combined m-cap of ₹13.8 trillion, 74 Indian subsidiaries of global multinationals are now ahead of state-owned listed companies and almost as big as institutionally-owned independent companies such as Housing Development Finance Corporation, HDFC Bank, ICICI Bank, Axis Bank, Larsen & Toubro, and ITC.

DALAL STREET LOVES MNCs

MNC share in m-cap (%)



*Latest numbers for April 3; Others for end of March every fiscal year
Source: Capitaline

If banking and finance companies are removed, multinationals are even more dominant. Hindustan Unilever, Nestlé, Maruti Suzuki, Siemens, Bosch, ACC, and Ambuja Cement, among others, now account for a quarter of the combined m-cap of 813 companies excluding financial firms, up from 18.5 per cent at the end of FY19 and 16.7 per cent at the end of March 2014.

The number of listed MNCs in the financial sector is small and domestic players dominate the sector.

Analysts attribute the growing heft of MNCs to their strong resilience in the face of a sharp sell-off on Dalal Street over fears of the pandemic-induced economic disruption.

"It helps that most listed MNCs are largely in the consumer space such as food, personal care products, and pharmaceuticals. The space is currently preferred by equity investors because it offers steady growth and few downside risks arising from macroeconomic or policy surprises," said Dhananjay Sinha, head of research and equity strategist, Systematix Group. Turn to Page 10

I really messed up on security, says Zoom chief

HAILEY WALLER
6 April

Zoom's boss embarked on an apology tour to reassure users that he's working to improve security and privacy on the videoconferencing app that has emerged as the virtual town square of the coronavirus epidemic.

The service, once mostly used for client conferences and training webinars, has emerged in the coronavirus lockdown as a home for virtual cocktail hours, exercise classes, cabinet meetings and remote classroom learning. But during the 20-fold surge to 200 million daily members since the end of last year, the service has been hit by trolls interjecting porn or hijacking meetings and drawn regulators' scrutiny about privacy.

Chief Executive Officer Eric Yuan started the *mea-culpa* messaging with an April 1 blog post on Zoom Video Communications's website, saying "we recognise that we have fallen short of the community's — and our own — privacy and security expectations." He sounded similar notes in an interview in *The Wall Street Journal* and a Sunday appearance on CNN's *Reliable Sources*.

"WE MOVED TOO FAST... AND WE HAD SOME MISSTEPS. THIS KIND OF THING SHOULDN'T HAVE HAPPENED. WE NEED TO WIN THEIR (USER'S) TRUST BACK..."
ERIC YUAN, CHIEF EXECUTIVE OFFICER, ZOOM

"I really messed up as CEO, and we need to win their trust back," Yuan told *The Wall Street Journal*. "This kind of thing shouldn't have happened."

The lapses have driven away customers including Elon Musk, who banned the use of Zoom for SpaceX and Tesla due to privacy concerns. New York City has directed its schools — a system with more than 1.1 million students — to move away from using Zoom as soon as possible.

"We will support staff and students in transitioning to different platforms such as Microsoft Teams that have the same capabilities with appropriate security measures in place," said Danielle Filson, a spokeswoman for the New York City Department of Education.

The company is working to protect privacy, including adding end-to-end encryption that is still months away, Yuan said. For now he's trying to keep customers on board. Many of the problems stem from the fact that the app was geared toward enterprise clients with their own IT security teams, instead of the broad consumer app it's become.

"We are still in the process of working with New York schools to make sure we do enforce security safety," Yuan told CNN.

Since the public-health crisis unfolded, Zoom has become the most downloaded free app on Apple's iOS App Store, ahead of TikTok, DoorDash, and Disney+.

RBC Capital Markets analyst Alex Zukin has a sector perform rating and $125 price target on Zoom, which closed at $128 Friday. "If the company is able to provide new default settings that solve 90% of the issues, which I view as totally reasonable, it should be fine," he said. BLOOMBERG

ZOOM YET TO DRAW ATTENTION OF INDIAN AUTHORITIES OVER PRIVACY WOES PAGE 2

Google Maps to show locations of Covid-19 food, night shelters

MyGov, the crowdsourcing platform of the government, Google India and the Smart Cities team have mapped public food shelters and public night shelters for 31 cities on Google Maps, in an attempt to make access to these facilities easier for the public. To find a shelter, a user can search on Google or Google Maps for 'Food Shelter Near Me' or 'Night Shelter Near Me'. The feature is likely to be rolled out in Hindi in a couple of days, and other languages in some more time. Google worked closely with central and state governments, coordinating with a global team to roll out the feature within a week's time, said Anal Ghosh, senior program manager, Google India. NEHA ALAWADHI

Infosys COO U B Pravin Rao appointed Nasscom chairman

IT industry body National Association of Software and Services Companies (Nasscom) has named U B Pravin Rao, COO, Infosys, as chairman for 2020-21, and Rekha Menon, chairman and senior managing director, Accenture, as vice-chairperson. Rao was the vice-chairman in the previous year, and succeeds Keshav Murugesh, group CEO, WNS Global Services. NEHA ALAWADHI

Swiggy raises $43 mn as part of Series I round

Online food delivery firm Swiggy has raised an additional $43 million as part of its ongoing Series 'I' round that saw participation of existing investor Tencent, and new investors, such as Ark Impact, Korea Investment Partners, Samsung Ventures and Mirae Asset Capital. With this, the firm has raised $156 million in the latest round of funding. PEERZADA ABRAR

Demand for hygiene items to rise, online sales to zoom: GCPL

Godrej Consumer Products expects a shift in consumer habits and preferences impacted by the coronavirus pandemic with greater focus on health, hygiene, and protection, according to a top company official. With a view to address the changing requirements of consumers, the firm plans to introduce new items in the sanitizer category, extending its offering. PTI

Kotak Mahindra Bank deposits grow 20% YoY in Mar qtr

Kotak Mahindra Bank reported a 20 per cent year-on-year (YoY) rise in its deposit base to ₹2.59 trillion in the quarter ended March 2020, compared to ₹2.16 trillion in the same period last financial year. On a sequential basis, the deposit base has grown 12 per cent over December 2019. Advances of the lender reported growth of 6.7 per cent in Q4FY20 to ₹2.2 trillion, compared to ₹2.05 trillion a year ago. BS REPORTER

PNB Housing Finance to raise $100 mn from JICA, Citibank

PNB Housing Finance has signed a deal with Japan International Cooperation Agency (JICA) and Citibank to raise $100 million (about ₹762 crore) for providing loans in the affordable housing segment. The firm has signed a deal with JICA to raise $75 million and with Citibank for $25 million. PTI

Users of music apps willing to opt for paid models: Report

At a time when the popularity of over-the-top service providers is growing, a recent survey by research firm RedSeer Consulting said majority of the free users of the audio OTT apps are willing to switch over to the paid versions if the subscription rates are lowered. SAI ISHWAR

Capgemini tweaks its leave policy in India

French IT services and consulting firm Capgemini has tweaked its leave policy in India temporarily apart from deferring increments and promotions of senior-level employees by one quarter. While the company did not specify the reason behind such steps, the Forum for IT Employees (FITE), a self-proclaimed union for IT employees, has alleged that the company has taken such steps in order to "compensate for business loss owing to the nationwide lockdown".

"Capgemini has reset all earned leaves of the employees to 15 to compensate for business loss," the Maharashtra unit of FITE has alleged on Twitter. "On one end, Nasscom is asking for relief for firms, on the other firms are proactively cutting employees' hard-earned leaves," it added.

Responding to a query by *Business Standard*, Capgemini India, however, said the company had tweaked leave accumulation only up to Q2 (FY21) end, and only as an interim measure. "Our overall leave policy for the rest of the year remains unchanged and employees can continue to accrue leave according to the policy," the company said.

It also said it was going ahead with increments and promotions for all junior professionals effective from April 1, 2020. This will cover over 70 per cent of the firm's employee base. For the remaining employees, increments and promotions had been deferred by one quarter. GIREESH BABU

Ambani's net worth drops 28% to $48 bn in 2 months

LVMH Chief xecutive Bernard Arnault's wealth down by 28% to $77 billion

PRESS TRUST OF INDIA

Mumbai, 6 April

The net worth of India's richest man Mukesh Ambani dropped 28 per cent or $300 million a day for two months to $48 billion as on March 31 due to the massive correction in stock markets, a report said on Monday.

The chairman and managing director of the diversified Reliance Industries saw his wealth decline by $19 billion in February-March period, taking his global ranking down eight places to 17th, the cccc said.

Other Indian businessmen who have seen a major drop in wealth include Gautam Adani whose wealth eroded by $6 billion or 37 per cent, HCL Technologies' Shiv Nadar ($5 billion or 26 per cent) and banker Uday Kotak ($4 billion or 28 per cent), it said.

All the three have dropped off the top 100 list, leaving Ambani as the only Indian in the league.

The Indian market has corrected by 25 per cent in the last two months as the economic costs and impact of the Covid-19 pandemic on companies led to a sell-off across the world.

"India's top entrepreneurs have been hit by a 26 per cent drop in the stock markets and a 5.2 per cent drop in the value of the rupee compared with the US dollar. For Mukesh Ambani, it has been a perfect storm, with his wealth down 28 per cent," Hurun Report India Managing Director Anas Rahman said.

WEALTH IMPACT 2 MONTHS AFTER COVID-19 PANDEMIC

World's billionaires Top 10

Net worth in $ billion

Wealth change in $ bn in 2 months to Mar 31, 2020

Rank	Name	Net worth	Company, country	Change
1	JEFF BEZOS	131	Amazon, US	-9
2	BILL GATES	91	Microsoft, US	-15
3	WARREN BUFFETT	83	Berkshire Hathaway, US	-19
4	BERNARD ARNAULT	77	LVMH, France	-30
5	MARK ZUKERBERG	71	Facebook, US	-13
6	Amancio Ortega	64	Inditex, Spain	-17
7	Steve Ballmer	60	Microsoft,US	-7.5
8	lice Walton	58	Walmart,US	-1
9	Jim Walton	56	Walmart, US	-1
10	Sergey Brin	55.5	Google, US	-12.5

Top 5 biggest wealth drop

Rank	Name	Net worth	Company, country	Change
1.	Bernard Arnault	77	LVMH, France	-30
2.	Mukesh Ambani	48	Reliance, India	-19
3.	Warren Buffett	83	Berkshire Hathaway, US	-19
4.	Carlos Slim Helu & family	55	America Movil, Mexico	-17
5.	Amancio Ortega	64	Inditex, Spain	-17

Source: Hurun Global Rich List

Ambani is the second biggest wealth loser globally, after French fashion giant LVMH's chief executive Bernard Arnault, whose wealth dropped by 28 per cent or $30 billion to $77 billion.

Berkshire Hathway's Warren Buffet also lost $19 billion of wealth in the last two months, to $83 billion, making it a smaller fall in percentage terms at 19 per cent, the report said.

With hospitality coming under intense pressure due to the pandemic, shared economy platform Oyo Rooms' Ritesh Agarwal is "no more a billionaire", the rich list said.

Others in the top-10 list of wealth losers also include Carlos Slim and family, Bill Gates, Mark Zuckerberg, Larry Page, Sergey Brin and Michael Bloomberg, it said.

Amazon's Jeff Bezos continues to be the richest man in the world with a networth of $131 billion, which has slid only by 9 per cent during the last two months and is followed by Bill Gates with a fortune of $91 billion (down 14 per cent), Buffet, and Arnault.

Chinese billionaires were among the few gainers in the last two months, and included promoters of video conferencing and pork meat producing companies, it said.

While India lost three rankings in the top-100 rankings, China added six billionaires in the league, it said.

Pressure builds on mall owners

RAGHAVENDRA KAMATH & VIVEAT SUSAN PINTO

Mumbai, April 6

Mall developers and retailers are yet to find common ground on the contentious issue of rental waivers, with the differences coming at a time when the retail industry, barring grocery, has come to a halt because of the 21-day nationwide lockdown.

Developers, such as DLF and Phoenix Mills, say the force majeure clause, which retailers have indicated they would apply, in case there was a complete breakdown in business, does not apply to the lockdown period. "We will have to work with retailers (on the issue of rentals). We can take a call only after visibility regarding mall openings emerge," says Shishir Shrivastava, managing director at Phoenix Mills, which operates malls in Mumbai, Pune, Bengaluru, and other cities.

The lockdown, announced by the Modi government, is slated to end on April 14. But given the rising number of Covid-19 cases in the country, some individual states may extend the lockdown.

Shrivastava says the force majeure clause makes no sense when a government directive has led to the temporary closure of malls, multiplexes, and retail establishments. Business, he says, will eventually make its way back, a point contested by retailers, who argue the market remains weak.

Lalit Agarwal, chairman and managing director, V-Mart Retail, who is also a member of the Retailers Association of India (RAI), said retailers were looking at an amicable solution to the problem. "I don't think the endeavour is to damage our relationship with mall owners. They are important partners. But most retailers are speaking with mall owners on an individual basis. Outcomes will vary based on negotiation," he said.

RETAIL DYNAMICS

1.5 million
No. of modern retail outlets

₹5 trillion
Business generated

6 million
People employed

No sales (grocery excluded)
Impact on business due to lockdown

9-12 months
Recovery expected

Source: Industry

In the absence of a clear plan of action on waiving rentals, developers said they were working on reducing charges on common area maintenance and passing it on to retailers. Developers that *Business Standard* spoke to said they were yet to raise invoices on rentals for their retail clients, implying the gravity of the situation is not lost on them altogether.

Pushpa Bector, executive director, DLF Shopping Malls, said: "Times like these require us to be patient and adapt our business strategies to prepare for the new normal."

Kumar Rajagopalan, CEO, RAI, said most heads of retail companies expect the crisis triggered by the pandemic and the subsequent lockdown to stretch well beyond the April-June quarter.

PRIVATE SECTOR STEPS UP COVID EFFORTS

It is not just governments and central banks which have stepped up efforts to fight the coronavirus pandemic. The private sector, too, is doing its part. According to BofA Securities, the measures announced by private firms will not only help fight the virus, but will also boost their prospects on the bourses. "Companies allocating resources to fight the crisis are likely to foster employee and community goodwill and enhance brand and reputation — all of which have been critical drivers of performance in general and even more so recently. In fact, companies with a track record of good employer/employee relations have markedly outperformed peers during this bear market," says BofA in a note. Here is a list of Indian firms and their initiatives, compiled by the brokerage SAMIE MODAK

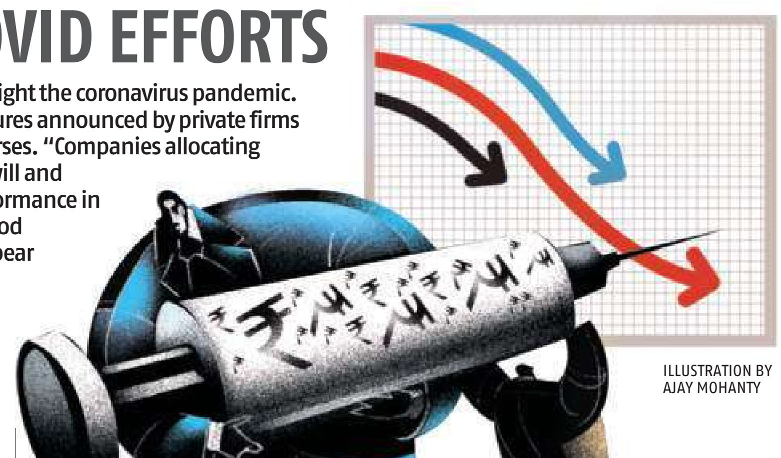


ILLUSTRATION BY AJAY MOHANTY

INITIATIVES LAUNCHED BY INDIA INC TO MITIGATE IMPACT OF THE VIRUS

BHARTI AIRTEL: Offering free reading content on its platform to its users

MARUTI SUZUKI: Making 10,000 ventilators per month to help bridge the shortfall

TVS MOTORS: Pledges ₹25 crore towards PM's National Relief Fund to fight Covid-19 spread

HERO MOTOCORP: Will distribute masks, sanitizers, gloves, and 100 ventilators to hospitals and health departments. It has offered to donate more than 60 motorcycles to health departments in the rural areas which can be used as mobile ambulances. Further, it is distributing more than 10,000 meals a day to daily wage workers, stranded labourers, and homeless families. Parent company Hero Group has pledged ₹50 crore to PM-CARES Fund

MARICO: Marico Innovation Foundation has invited med-tech entrepreneurs, corporates, and innovators to solve the med-tech challenges (low-cost ventilators/ respiratory solutions and personal protective equipment) faced in the ongoing crisis with a prize of ₹2.5 crore

ITC: ₹150-crore contingency fund to support needy sections of society impacted by the pandemic

HUL: ₹100 crore through which it will donate 20 million pieces of Lifebuoy soaps, besides providing supplies for sanitation and hygiene products

GODREJ CONSUMER: Godrej Group (parent company) has pledged ₹50 crore for community support

RELIANCE INDUSTRIES: Has set up a 100-bed Covid-19 hospital, and is giving free meals in various cities across India

COAL INDIA: Coal India subsidiary Mahanadi Coalfields will finance a 500-bed state-of-the-art Covid hospital in Bhubaneswar

SUN PHARMA: ₹25 crore worth of hydroxychloroquine (HCQS), azithromycin, other related drugs and hand sanitizers

L&T TECHNOLOGY: Parent company offers donations, job commitment

LARSEN & TOUBRO: Will donate ₹150 crore to PM-CARES Fund. It has set aside ₹500 crore per month to support about 160,000 contract workers by continuing to pay their wages and providing them with food and basic amenities

TCS: Research assistance, donations

INFOSYS: Medical assistance

TECH MAHINDRA: Medical and financial assistance

JSW STEEL: JSW Group (parent company) has committed over ₹100 crore in support of all ongoing relief efforts of the central and state governments towards fighting the Covid-19 crisis. Its employees will contribute a day's salary to PM-CARES Fund

VEDANTA: Chairman of Vedanta Resources (parent company of Vedanta) pledged to commit ₹100 crore, and will cater to three specific areas — livelihood of the daily wage worker, employees, and contract workers; preventive health care; and will provide timely help to communities in and around various plant locations of the company

TATA STEEL: To provide 50,000 meals per day to vulnerable communities in Jamshedpur. Tata Sons (holding company of the Tata group which is the parent of Tata Steel) to donate ₹1,000 crore to procure medical equipment, set up treatment facilities, and train health workers

NMDC: Will contribute ₹150 crore to PM-CARES fund

NTPC: According to media reports, NTPC has converted its project hospitals and medical establishments into anti-coronavirus units, and has created isolation wards with a total of 121 beds to help state governments fight Covid-19

Banks expect top-rated companies to raise funds

DEV CHATTERJEE & JOYDEEP GHOSH

Mumbai, 6 April

Tata Sons is set to join a host of top-rated companies such as Reliance Industries, L&T, and HDFC to raise low-cost funds from banks, after the Reserve Bank of India opened a special window to infuse liquidity into the system.

Banking sources said Tata Sons may raise around ₹7,000 crore and plans to use the funds to retire older high-cost loans. "It's a good opportunity for good A-rated companies to raise funds. HDFC plans to raise around ₹4,000 crore.

While reducing the repo rate by 75 basis points (bps) on March 27, the RBI had also released additional funds to banks, saying that the liquidity has to be deployed in investment grade corporate bonds, commercial papers, and non-convertible debentures, as on March 27, 2020.

Lenders had already raised ₹50,000 crore in two tranches from the RBI to onlend to corporates. This led to several top companies raising funds from banks over the last one week, said the person cited above, adding, "banks are currently flush with funds and they want to lend it to top-rated firms."

Besides this special window, the central bank also reduced the cash reserve ratio (CRR) of banks by 100 bps to 3 per cent of net demand and time liabilities, with effect from the reporting fortnight beginning March 28, for a period of one year.

This reduction in the CRR (cash reserve ratio) would release primary liquidity of about ₹1.37 trillion uniformly across the system. Bankers said Indian companies with a good credit rating could look forward to raising funds at a later date for capital expenditure and new projects.

While Reliance Industries is investing in the telecom business — mainly in capital expenditure, the Tata group's holding company consistently invested in new businesses like financial services and aviation during FY20. This included a ₹1,000-crore fund infusion into Tata Capital Financial Services, besides that in its two airlines Vistara and AirAsia India.

Zoom yet to draw attention of Indian authorities over privacy woes

NEHA ALAWADHI & PEERZADA ABRAR

New Delhi/Bengaluru, 6 April

Even though there have been increasing reports of videoconferencing app Zoom being vulnerable to hacking, and a recent investigation revealed the company sends some encryption keys to China, alarm bells are yet to ring in India.

On Friday, Canada-based independent research organisation Citizen Lab found that Chinese servers were being used to distribute encryption and decryption keys for videoconferences on Zoom. "We suspect that keys may be distributed through these (Chinese) servers. A company primarily catering to North American clients that sometimes distributes encryption keys through servers in China is potentially concerning, given that Zoom may be legally obligated to disclose these keys to authorities in China," the Citizen Lab researchers noted. In addition, it also found that the company's claims about being end-to-end encrypted were misleading.

Zoom has become extremely popular in the past few weeks, with most parts of the world under lockdown due to the ongoing Covid-19 pandemic, and people working from home. The app even surpassed WhatsApp and TikTok in the number of downloads on Google Play store last week.

In response, Zoom Chief Executive Officer (CEO) Eric Yuan said in a blogpost the same day, that in its haste to support the vast number of users it was adding, the company failed to fully implement its usual geofencing best practices. "However, in February, Zoom rapidly added capacity to our Chinese region to handle a massive increase in demand. In our haste, we mistakenly added our two Chinese data centres to a lengthy whitelist of back-up bridges, potentially enabling non-Chinese clients to — under extremely limited circumstances — connect to them," he said.

The blogpost also said that the error had no impact on its Zoom for Government Cloud, a separate cloud service for government customers.

ZOOMING IN

Founded in 2011

Based in San José, California

Asia Pacific revenue 19% of overall revenue

No. of employees in China over 700

FOR FY ENDED JAN 31, 2020

Overall revenue $622.7 million

Net income $25.3 million

CERT-In advisory: How to safely use Zoom

- Keep Zoom software updated at all times
- Set strong and difficult-to-guess passwords
- Enable waiting room feature for more secure meetings
- Disable 'join before host' feature
- Restrict/disable file transfers if possible
- Lock meeting once all participants join
- Allow 'record call' only for trusted participants

Several Indian enterprises and even government meetings take place on Zoom.

Coupled with these revelations and earlier privacy concerns, including sharing user data with LinkedIn and Facebook and 'Zoombombing', where people can enter Zoom meetings uninvited and share hate speech or pornographic images, the San José-based company has lost clients like Tesla and the New York City Department of Education.

In India, however, as Zoom gains popularity, there hasn't been any large-scale impact; a large number of businesses and government entities continue to use the platform.

The Indian Computer Emergency Response Team (CERT-In) put out an advisory on March 30 about 'secure usage of Zoom videoconferencing application', detailing the steps users should take to ensure their data remains protected.

"There is nothing as such that we have done. We checked with Zoom and they assured us that Indian data is not being sent to Chinese servers," said a government official.

Similarly, companies which use Zoom extensively for meetings have been telling their employees to be more careful with the use of the software. A large firm in the information technology sector has been sending emails to its employees educating them on the proper and safe use of Zoom.

Cybersecurity experts, however, say that for more sensitive meetings, users should consider moving to alternative, more secure applications.

Onboarding of IT freshers by firms may be delayed

DEBASIS MOHAPATRA
Bengaluru, 6 April

WORK IN PROGRESS

- **Many of the freshers are likely to join in the second half** of this year owing to the Covid-19 crisis
- **Chances of dishonouring offer letters** seem remote at this point in time
- **Top-4 IT firms hired more than 50,000 engineers** from campuses in FY21
- **With change in the demand environment,** most IT firms may reduce hiring for next year

Hiring of fresh engineering graduates from college campuses by information technology (IT) services companies is likely to be delayed owing to uncertainties arising out of global spread of coronavirus (Covid-19). IT firms are expected to absorb these freshers in a staggered manner. Sources in the know said the chances of dishonouring joining letters seem remote at this point in time.

CORONAVIRUS PANDEMIC

Since most IT firms anticipate a demand slowdown in the coming quarters, hiring from tier-III and -IV engineering colleges through walk-in interviews is going take a massive hit in 2020, said industry experts.

"Freshers, slated to join in May-June, are likely to be scheduled for onboarding in August-September. Some IT firms are likely to defer their joining, based on the developments in the US, the UK, and Continental Europe," said Aditya Narayan Mishra, director & chief executive officer at CIEL HR Services. In a worst-case scenario, only 5 per cent of offer letters may not be honoured, he said.

Anticipating demand, the top four IT firms of India added more than 50,000 freshers last year. Hiring of fresh graduates is also part of the initiative of most IT firms to rightsize their employee pyramid, which has become mid-level heavy in recent years.

Among IT firms, market leader Tata Consultancy Services has added around 30,000 fresh graduates in the last financial year. The company's management has said it is going to increase this number to 39,000 in the current financial year (2020-21). Similarly, Infosys has made 18,000 offers last financial year, while Wipro has said it will onboard around 20,000 fresh graduates in 2019-20. Since 55-60 per cent of the operating cost of Indian IT services players comprises wages, hiring of college graduates keeps cost in control, apart from infusing young blood into an organisation.

"IT firms have rolled out offers to fresh graduates factoring in a bullish demand environment, which has changed after the Covid-19 crisis. But dishonouring offer letters has certain reputational risks attached to it. Also, all tier-I companies and mid-tier firms have the strength of balance sheet to absorb new hires," said Pareekh Jain, an IT outsourcing advisor and founder of Pareekh Consulting.

Late last week, IIT-Delhi's Director V Ramgopal Rao had appealed to all recruiters to not withdraw the job offers made to students. "Once a student is offered placement, according to the IIT-Delhi policy, the student is not allowed to sit for other placements. Students trust the companies with their offers and don't apply to other companies," he had tweeted.

The IT industry is staring at a demand slowdown, with many developed countries, including the US, starting to shut down establishments for imposing social distancing to fight the spread of the contagion. As a result, IT firms have already witnessed delay in winning large deals, with reports suggesting around $3-4 billion worth deal signings deferred in March.

Promoters of mid-tier IT firms increase stake as shares crash

DEBASIS MOHAPATRA
Bengaluru, 6 April

As stocks of IT services firms took a hit over the past fortnight owing to the Covid-19 pandemic, promoters of some mid-tier companies bought back shares to increase their stakes.

Bengaluru-headquartered IT firm Mindtree witnessed its promoter L&T Group buying 0.4 per cent stake in the company through open market operations for around ₹58 crore during this period. The share price of Mindtree has fallen 22.78 per cent over the past month to close at ₹699 apiece on the NSE on Friday. The markets were closed on Monday on the occasion of Mahavir Jayanti.

Top-three IT services firms of the country lost a combined market cap of about $31 bn over the fortnight as the pandemic roiled the stock markets

Similarly, Pune-based Zensar Technologies' promoter RPG Group bought back shares worth around ₹11 crore over the fortnight. The share price of Zensar Technologies dipped 28.70 per cent over a month to close at ₹88.95 in the last trading session. Blackstone, private equity investor and majority stakeholder of Mphasis, raised its stake by 4 per cent in the Bengaluru-headquartered firm by buying 7.48 million shares for around ₹525 crore during March 17-20.

Newgen Software Technologies is another mid-tier technology firm which has witnessed an increase in promoters' stake after the fall in its share price. Promoters of the company have bought shares worth around ₹8 crore since March first week. Similarly, promoters of engineering services firm AXISCADES Engineering Technologies and Quick Heal Technologies have raised their stakes.

Normally, cash-rich companies buy back shares of their respective firms if promoters feel that shares are undervalued. "This (buying of shares) shows promoters' confidence in their companies regarding future growth at a time when growth uncertainty has crept in," said Pareekh Jain, IT outsourcing advisor and founder of Pareekh Consulting.

In contrast to mid-tier firms, tier-I companies, including Tata Consultancy Services (TCS), Infosys, and Wipro, have not seen any activity from their promoters and promoter groups despite around 15 per cent fall in share prices.

Top three IT services firms of the country lost a combined market cap of about $31 billion over the fortnight as the coronavirus pandemic continued to roil the stock markets. While the market cap of India's largest IT services player TCS dropped by ₹1.45 trillion ($21 billion), Infosys saw its market cap decrease by ₹70,000 crore ($7 billion) during this period.

Analysts believe given the uncertain business environment, IT majors, instead of going for share purchases, are looking at conserving cash to tide over any loss arising out of the Covid-19 pandemic.

The IT industry is staring at a demand slowdown as many developed countries, including the US, have started to shut down establishments for imposing social distancing to fight the spread of virus. As a result, IT companies are already witnessing a delay in winning large deals, with reports suggesting deal signings worth around $3-4 billion had been deferred in March alone.

Uber, Flipkart join hands to deliver essential products

PEERZADA ABRAR & NEHA ALAWADHI
Bengaluru & New Delhi, 6 April

Uber has partnered Walmart-owned e-commerce firm Flipkart to provide everyday essentials to people, amid the ongoing national lockdown. The two companies have jointly rolled out the service across Bengaluru, Mumbai and Delhi.

This partnership will keep the vital supply chains running and will address the growing needs of Flipkart customers to receive essential goods at their doorsteps every day. It will also support the government's objective of keeping hundreds of millions of Indians at home to contain the spread of Covid-19.

"The partnership helps keep the economy running and enables Indians to stay at home, as well as creates earning opportunities for drivers. Uber will not charge any commission, enabling drivers to keep 100 per cent of billed amounts," said Prabhjeet Singh, director-operations and head of cities, Uber India and South Asia. Uber also said all drivers associated with this service were being provided with masks, gloves, sanitizers.

"This partnership is to help move essential supplies to customers in the shortest possible span of time. Flipkart remains committed to supporting our customers and we are mobilising all possible options to ensure that in this fight we can support the governments by delivering essential supplies to people," said Rajneesh Kumar, chief corporate affairs officer, Flipkart. With a registered customer base of over 200 million, Flipkart has the capacity to offer over 150 million products across 80 categories.

This collaboration will keep vital supply chains running

Singh of Uber said the partnership with Flipkart further consolidates its new last-mile delivery service, which was launched a week ago and leverage its technology and network with third parties who are ready to provide essential products. "There is a huge interest from driver-partners and businesses for the last-mile delivery (service)," said Singh. Experts said as the lockdown progresses, companies, especially those employing gig workers, are looking at innovative partnerships to keep their businesses going.

Bike-taxi unicorn Rapido on Monday said it had collaborated with major essential suppliers such as Bigbasket, Big Bazaar and Spencer's Retail for aiding last-mile deliveries across more than 90 cities in the country. The company said it was committed to accelerating its existing Rapido-Delivery services to provide for essential supplies during the ongoing lockdown. The company said 70 per cent of its fleet of Captains (driver-partners) are on-ground in order to facilitate supplies.

Corona scare at Coal India's top entity

The South Eastern Coalfields (SECL), the largest coal producing entity of Coal India (CIL), has quarantined 83 employees as preventive measure fearing infection of Covid-19.

The employees had on Friday come in contact with a section of colleagues who attended a prayer meeting with an infected person, who was admitted to AIIMS in Raipur.

According to Korba district administration, a section of SECL employees had defied the health guidelines and curfew-like lockdown imposed by the Chhattisgarh government. The employees later reported on duty. Following the development, the SECL management has issued an order (a copy of which is with *Business Standard*) asking all the 83 employees not to report on duty and stay them on a 14-day quarantine from Monday. The employees were part of mining operation in the mines of the SECL in Korba.

R KRISHNA DAS

Emaar Properties cuts salaries

Emaar Properties, Dubai's largest listed developer, announced pay cut for its staff. The company's chairman has taken a 100 per cent salary cut from April 1. The company has announced salary cut of 50 per cent for the senior management, 40 per cent for middle management and 30 per cent for junior employees. Emaar operates in the country. It has corporate office in Gurugram and residential properties in Agra, Lucknow, Delhi, Chennai and others .Earlier, the company had a joint venture with Delhi-based MGF. BS REPORTER

Covid-19 drags services PMI into contraction

Index falls to 49.3 in March, from Feb's 7-yr high of 57.5, as firms cut workforce

SUBHAYAN CHAKRABORTY
New Delhi, 6 April


CORONAVIRUS PANDEMIC

The global coronavirus (Covid-19) pandemic has cut short the good times in India's services sector, which contracted in March because overseas demand fell and exports received a hard knock, according to a monthly survey released on Monday.

The Nikkei India Services Purchasing Managers Index (PMI) dropped steeply from February's more than a seven-year high of 57.5 to 49.3 in March. In PMI parlance, the 50-mark threshold separates expansion from contraction.

Experts had hoped the services sector scaling an 85-month high in February would help it to tide over the ongoing corona crisis as rising new orders from overseas markets had created stable growth.

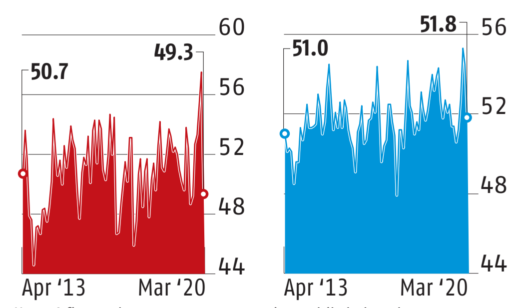
But in March, the firms surveyed said client demand had severely been dented because discretionary spending was put aside owing to public health measures. This was in line with the contraction seen in the manufacturing sector, which fell to a four-month low of 51.8 in March, down from February's 54.5, a similar survey release last week showed.

Exports fell by their sharpest margin since September 2014. This was despite the rupee depreciating throughout the month. The rupee was valued at ₹72 to the dollar when March began and ended a sharp downward run to close at ₹76 to the greenback on April 1.

As a result, employment levels broadly stagnated in India's private sector as slight growth in manufacturing was offset by a mild drop in staffing levels across the service sector. Services firms, however, saw mild job shedding as a large majority of firms — 93 per cent — left payroll counts unchanged, the PMI survey showed.

Even during February's boom period, the number of jobs created had fallen to a three-month low. The latest survey data pointed to the first fall in order book volumes for service providers since September last year. The drop in demand was the sharpest in just over two years. A number of firms also mentioned lower sales as a result of liquidity issues.

HOW THE INDEX MOVED



Note: A figure above 50 means expansion, while below that means contraction
Source: IHS Markit

But there was evidence of capacity pressure being generated, albeit to a lesser degree, the survey pointed out. Backlogs of work rose at a slight but weaker rate in March.

Industry insiders, however, fear the downturn in March could be worse. "The March PMI data showed business activity falling mildly. Crucially however, the survey data collection (March 12-27) was concluding just as Prime Minister Narendra Modi ordered a complete lockdown of the country," said Joe Hayes, economist at IHS Markit, which conducts the survey.

But firms are optimistic activity would rise over the next 12 months as the extreme measures to curb the spread of Covid-19 are lifted and global demand begins to recover. That said, the level of confidence dipped to a five-month low.

However, low input costs proved to be a silver lining amid the crisis for services firms. The input inflation rate in March expanded slowest in the last six months. Anecdotal evidence suggested that lower market prices for food and fuel contributed to a weaker rate of inflation, the survey mentioned.

Suppliers cut fees due to low demand. Output charges rose at a pace that was softer than in February and below its long-run average. The seasonally adjusted Nikkei India Composite PMI Output Index, which calculates growth after considering manufacturing and services indices relative to the size of GDP, fell to 50.6 in March, down 7 percentage points from February's 57.6 to signal a slowdown in private sector output growth.

Hydroxychloroquine's share in pharma exports minuscule

Manufacturers say there is enough stock for local needs

SOHINI DAS
Mumbai, 6 April

India, the world's largest producer of hydroxychloroquine (HCQ), exported $51 million worth of the drug in FY19. This was a minuscule portion of the country's $19-billion pharma exports.

In FY20, however, exports had dipped to $36 million till February. With US President Donald Trump campaigning for HCQ, global demand for the inexpensive drug has surged all of a sudden. Countries like Brazil and India's SAARC neighbours have sought the drug from India.

The Centre itself has requisitioned 100 million tablets from Ipca Laboratories and Cadila Healthcare. Manufacturers claim there is enough stock for the local needs, and that the surplus could be exported. They are gearing up to supply the same to the government within this month.

Further, China does not make HCQ and India is the lead global supplier, they add.

HCQ and chloroquine phosphate are in the same class of drugs. Chloroquine is an antimalarial used to prevent and treat malaria.

HCQ, on the other hand, is used to treat auto-immune disorders like rheumatoid arthritis, lupus, and as a third-line treatment for diabetes.

Some health researchers have used HCQ, along with a combination of a common antibiotic azithromycin, as a potential treatment for Covid-19. In a government advisory, India recommended the use of HCQ for healthcare workers and high-risk individuals to prevent contracting the infection.

The drug is also being administered to Covid-19 patients. Experts, however, have warned against wide use of the drug until the efficacy of it is proven beyond doubt, through clinical trials.

In a March 19 release, the US FDA had said that it was working closely with other government agencies and academic centres that were investigating the use of chloroquine, to determine whether it could be used for treatment.

Back home, sales of HCQ witnessed a spike. Data from market research firm AIOCD AWACS showed there was a 19 per cent jump in sales of HCQ in February. This is because many Indians were stocking up the drug that suddenly came into limelight, with the price at hardly ₹3 per tablet.

However, the question now is, does India have enough stock?

Leading manufacturers that *Business Standard* spoke to claimed that there was no need to worry about supplies locally. India can roughly make 100 tonnes of the drug per month if required, as capacities can be easily scaled up.

Ipca is the drug's top manufacturer globally, and the US FDA recently lifted import alerts on its plants, paving the way for the firm to export it to the US. Cadila was already exporting it to the US, though the numbers were not huge.

Cases have started doubling every four days now. From over 4,000 cases, the total number is expected to spike in April. "Each patient needs a 14-tablet course. With 100 million tablets, India can potentially treat 70 million people. Even if the number of cases spike to 100,000 within a month and each patient needs three healthcare workers, there would be enough stock in the country," explained a manufacturer.

Cases of malaria and reported deaths have reduced in India over the years — the malarial death rate declined to 0.02 per 100,000 people in 2018, from 0.1 deaths per 100,000 people in 2001. "We make the active pharmaceutical ingredient (API) for the drug here, and are one of the largest suppliers of the API globally. Most European countries and the US do not make this drug, given malaria is not a major killer in these countries," said one manufacturer.

HYDROXYCHLOROQUINE IN DEMAND GLOBALLY

- **HCQ and chloroquine phosphate are** in the same class of drugs
- **While chloroquine is an anti-malarial** drug used to prevent and treat malaria, HCQ is used to treat auto-immune disorders like rheumatoid arthritis, lupus, and as a third-line treatment for diabetes
- **Some researchers have used HCQ,** along with a combination of a common antibiotic azithromycin, as a potential treatment for Covid-19
- **India recommends the use of HCQ** for health workers and high-risk individuals to prevent contracting of the infection
- **The drug is being administered to Covid-19 patients,** but experts warn against its wide use
- **The USFDA is working with other government agencies** and academic centres that are investigating the use of chloroquine, to determine whether it could be used for treatment

Fearing spoilage, farmers sell onions at ₹3/kg

DILIP KUMAR JHA
Mumbai, 6 April

Fearing their onion stock may get spoiled owing to the low shelf life of the late kharif variety and the demand disruption caused by the nationwide lockdown, farmers in Maharashtra's Nashik district are selling their produce at a loss — for as low as ₹3 a kg against the cultivation cost of ₹6 a kg.

With the benchmark Lasalgaon *mandi* remaining closed for the past four days after the entire Nipad taluka was quarantined following Covid-19 cases there, farmers in the district are queueing up at the nearby Vinchur mandi.

The model or average price for a kg of onion was ₹6 on Monday — the lowest in this late kharif and rabi harvesting season, so far. While poorer quality kharif onions traded at ₹3 a kg, the price of export quality was ₹9 a kg.

STATE-WISE PRODUCTION

(In '000 tonnes)

	2019-20 (1st Ad. Est*)	Share (%)
Maharashtra	9,099	37.2
Madhya Pradesh	3,966	16.2
Karnataka	2,275	9.3
Rajasthan	1,386	5.7
Bihar	1,313	5.4
Gujarat	1,257	5.1
Andhra Pradesh	935	3.8
Haryana	905	3.7
West Bengal	670	2.7
Uttar Pradesh	445	1.8

*Advance Estimates
Source: NHB; compiled by *BS* Research Bureau

According to traders, onion demand has fallen 30-40 per cent since the lockdown on March 25 forced the temporary closure of hotels, restaurants and roadside eateries.

"Farmers are in a hurry to sell onion, especially of the late kharif variety, fearing spoilage. With most market yards closed, farmers have pushed their supply to the Vinchur agricultural produce market committee (APMC). As a result, the model onion price has fallen to as low as ₹6 a kg," said Narendra Wadhvane, secretary, Lasalgaon APMC.

Total arrivals of onion at the Vinchur mandi jumped unusually high — at 2400 tonne — on Monday. This was almost twice the usual daily arrivals.

Though transportation of onion, which is an essential commodity, is allowed, movement of the vegetable remains highly restricted. Also, exports have come to a standstill because of fewer overseas orders. According to experts, exports are likely to remain subdued as major importing countries, too, are battling the pandemic.

"Onion prices have declined sharply over the last few days. Also, there is a bumper output in Nashik, which feeds onion to the entire country," said Arun Kale, secretary, Nashik APMC.

In retail, onion is selling currently at ₹30 a kg because of weak supply. Also, the impact of the latest price decline will be seen in the retail market in 7-10 days.

Onion farmers are currently passing through distress because they are not able to recover even the cost of cultivation. The cost of onion cultivation stands at ₹5.50-6 a kg in most parts of Nashik. In some areas where irrigation facility is unavailable, the cultivation cost goes up to ₹7-8 a kg.

"Farmers, especially of small and medium farmers, do not have adequate storage capacity and they cannot afford to pay for storing their produce in public warehouses. They do not have any option but to sell their produce at a loss. Large corporates, stockists, and warehouse keepers take advantage of such a situation – they buy cheap and store it for selling in the lean season," said Wadhvane.

'Govt should consider relief for oil companies'

Production at Cairn Oil and Gas, a Vedanta group vertical, has dropped by 11 per cent following the lockdown, and some of its customers have invoked force majeure. Its Chief Executive Officer **AJAY DIXIT** tells **Shine Jacob** about the Covid-19 impact on the industry, future plans, and the need for government support. Edited excerpts:

Q&A
AJAY DIXIT
CEO, Cairn Oil & Gas

What has been the impact of falling oil prices and the lockdown on firms like Cairn?

I would say there is significant impact of Covid-19 on the time schedule for Open Acreage Licensing Policy (OALP) blocks and completion of ongoing projects. The drop in oil prices is also having a significant impact on profitability of the company. Banks may also be reluctant to give loans at these prices.

The government should consider relief on royalty, cess, and profit petroleum because there has been heavy impact on upstream, specially pre-NELP exploration blocks. Major issue for producers like us with pre-Nelp exploration blocks is that we have to shell out 20 per cent each on cess and royalty and 50 per cent profit petroleum. With the operating expenses being barely met, it becomes difficult for the company to pay this high amount. Companies are getting hammered down heavily. It would take at least a couple of quarters for things to normalise. Until that the government should consider waiver, deferment or some reduction on royalty, cess, and profit petroleum. Apart from relief on profit petroleum, the government is already taking some steps on financial and banking sector like extending loan periods. The government should support so that this industry is able to stand up.

Have you invoked force majeure to get relief on OALP timeline?

We have sought an extension of OALP exploration timeline, because the lockdown has caused stoppage of all seismic surveys and related activities. In OALP, things are getting delayed. Normally, we start with seismic works. Most of the seismic equipment comes from China and they are now since December onwards.

Our production from Rajasthan is also down because customers have invoked force majeure. Some oil customers are taking at reduced rates due to demand issues, and maintenance activities. Gas customers have declared force majeure on partial volumes with corresponding impact on gas and associated oil production.

Is there a considerable decline in production?

Our production is definitely down. Instead of 180,000 barrels (boepd) that we were producing from Rajasthan early this year, it has come down to 160,000 barrels. Had this Covid impact not been there, we would have touched 210,000 barrels. We were expecting some projects to get completed. But they got delayed as material is stuck at ports in China and Italy, which should have reached our shores by the end of January. They are now quarantined and that has hit some of the projects that are going to be completed.

What would be the ideal oil price for Indian producers?

Even if you are on the best of your operating cost, you cannot sustain at this lower price regime. Our average operating cost comes to around $8-9 a barrel, in addition to this, development costs will be there. Anything below $45 a barrel is not appreciable for anybody in the industry. If you want a consistent growth in sector, right number would be around $55-60 a barrel or above that. If you want bare minimum survival and beat all obligations and do small amount of exploration, at least it should be $50 a barrel.

How are you managing operations in Barmer amid lockdown?

We are managing with a very lean staff. We are continuing with the production as it is part of the essential services. Normally, 7,500-8000 people work in our acreage area of 3,500 sq km. We are managing with around 1200 staff now.

We are conducting awareness campaigns, distributing masks, and sanitizers among locals. In addition, Cairn is helping stuck-up labourers with food and also opened up some of our facilities for isolation centres. It is difficult to operate with a lean staff. Let me say they are living up to this. The construction part is stopped and minimum operations are maintained.

Do you think this lockdown should be extended further?

I think this is a tough call keeping in mind the economic and health and security point of view.

EPF advances for relief stuck due to lockdown

RANJITA GANESAN
Mumbai, 6 April

For Karan Arora, the recent announcement that subscribers could withdraw part of their employee provident fund (EPF) to help tide over the Covid-19 crisis had sparked hope. The Jaipur-based technical recruiter had been laid off 10 days earlier as his employer, a US staffing agency, struggled with business. He had made an application on March 24 and expected to receive the money swiftly in light of the new reforms. However, the Employees' Provident Fund Organisation (EPFO) asked him to wait, saying the nationwide lockdown had affected its own operations, including claim settlements.

The Union labour ministry on March 28 amended the EPF scheme to allow members to withdraw non-refundable advances — either their basic wages and dearness allowance for three months or up to 75 per cent of their total account, whichever is less — in the event of a pandemic. With Covid-19 being an ongoing pandemic, these benefits currently extend to member employees across India, even those still in service. The retirement fund body had committed to fulfilling such requests within three days so that relief would promptly reach workers and their families in a time of need. The outbreak and lockdown have thrown up a number of challenges, such as layoffs, pay cuts and a general slowdown.

ILLUSTRATION: AJAY MOHANTY

Many subscribers after their unsuccessful attempts to use the scheme have taken to social media to voice their complaints, as the EPFO website and grievance portal suffer outages and its customer helpline remains unreachable. In response to most such applicants, since April 3, the EPFO's Twitter account has written: "Due to the lockdown and consequent movement restriction, the functioning of the office has been affected and claims settlement has also been affected." E-mails from Business Standard seeking comment remained unanswered by the EPFO's head office in Delhi and the Mumbai regional office.

One of the challenges experts had predicted in availing of this scheme was the requirement of KYC compliance, in the absence of which employees would have to request their workplaces to validate the claims. However, in recent cases, even those with the requisite KYC compliance have had their applications put on hold.

Arora has company in other disappointed EPF members. The day he was laid off was also the day Delhi-based Gaurav Sharma, sole earning member of his family, lost his father to a prolonged illness. As his bank balance ran low, Sharma says he made a claim on March 22, which has remained "under process" since. Where Arora has borrowed money from a friend to cover expenses, including rent, student loan EMIs, and household purchases, Sharma has been checking his bank account and frustratedly tweeting at the EPFO handle every day over the last week.

In Mumbai, marketing professional Divya Naik applied for withdrawal in February, during a phase of unemployment. Her claim was approved mid-March but no payment has been forthcoming. Her complaints have been closed without resolution, too, citing the lockdown. "What is the point if we cannot access our hard-earned money now," says Naik, who has since found a new job. "Fortunately, I am not in urgent need of funds anymore but there are others who cannot afford to wait."

Life insurers won't invoke force majeure clause for Covid claims

SUBRATA PANDA
Mumbai, 6 April

Life insurers, both private and state-owned, will not invoke 'force majeure' clause in case of Covid-19-related death claims, and will process them at the earliest, said Life Insurance Council.

"This step was taken to reassure customers who had reached out to individual life insurance companies seeking clarity on this clause in their contract as well as to dispel rumours to the contrary. All life insurance companies have also communicated to their customers individually in this regard," the council said.

"The life insurance industry is taking every measure to ensure the disruption caused to policyholders, due to the lockdown is minimal, by providing them uninterrupted support digitally — be it honoring death claims related to Covid-19 or servicing their policy," said the secretary general of the council.

The insurance regulator has provided some relaxations to policyholders by giving them a grace period of 30 days to pay their premiums if they are falling due between March and April 2020.

The policyholders have been given grace period of 30 days to pay their premiums if they are due between March and April 2020

The unit-linked policyholders have also been provided relief by the insurance regulator wherein the regulator has asked insurers to offer settlement options in accordance with Regulation 25 of linked insurance products. Under the regulations, the period of settlement may be extended till five years from the date of maturity and not beyond.

The regulations further say that the insurer may levy fund management charge during the settlement period and no other charges can be levied. Partial withdrawals and switches shall not be allowed during the settlement period and complete withdrawal may be allowed at any time during the settlement period without levying any charge.

"This one-time option is regardless of whether such option exists or not in the specific product. The life insurers, however, have to exercise all due care and diligence to explain clearly the possible downside risks of continued fluctuation of fund value-based on daily net asset value and clear consent has to be obtained from the policyholder. This is allowed for unit-linked policies maturing up to May 31, 2020," said the regulator.

VIVAD SE VISHWAS

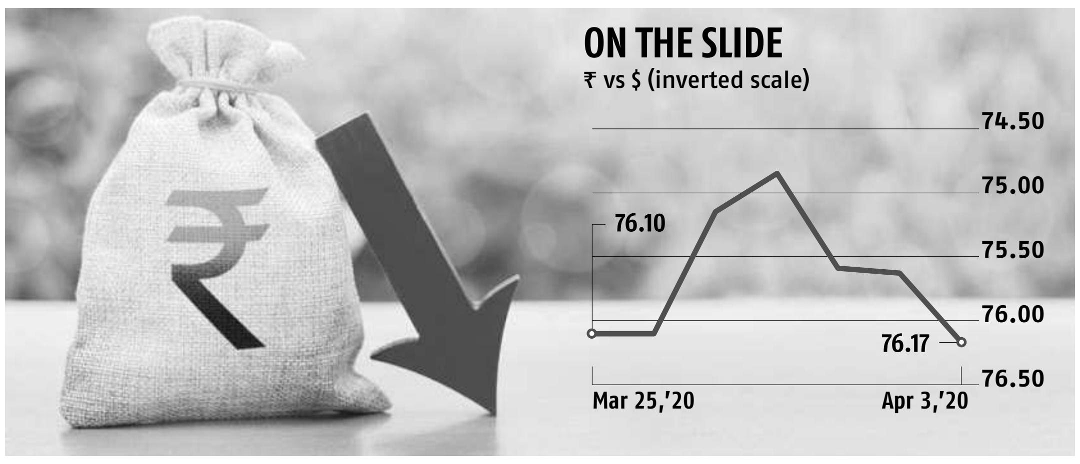
₹ fall lures MNCs to opt for tax scheme

I-T dept receives 24 enquiries from Indian subsidiaries, permanent establishments of foreign firms

SHRIMI CHOUDHARY
New Delhi, 6 April

Some subsidiaries of multinational companies (MNCs) have approached the income-tax department to ascertain their tax outgo if they avail of the Vivad se Vishwas (tax-dispute settlement scheme) on the basis of the latest exchange rate, said tax officials in the know.

According to sources, MNCs, especially those that have permanent establishments (PEs) or subsidiaries, wish to take advantage of the differences in currency rates, which may help the parent firms save 15-20 per cent of the tax outgo stuck in long-pending litigation.



Foreign firms are learnt to have nudged their Indian arms to participate in the scheme and take advantage of the lower value of the rupee.

This may help them in offsetting (to some extent) forex losses they may incur on imports.

The rupee neared a record low against the dollar, trading at 76.01, amid a significant rise in Covid-19 cases in the country and weak domestic equities. Experts say the rupee may remain under pressure until the pandemic subsides.

"Tax payment always happens in rupees at the applicable exchange rate on the day of the settlement. We recently received some enquiries in this regard where foreign subsidiaries were willing to opt for the scheme to settle their pending tax-related matters," said an official privy to the development.

To illustrate, if the disputed tax amount in a pending appeal of an Indian subsidiary is ₹75, then with an exchange rate of ₹75 to the dollar, the effective cost for the Indian subsidiary to participate in this scheme would be $1 and, by doing so, it will be free from any interest levy.

However, if such an Indian subsidiary decides not to take the benefit of this scheme and if the rupee appreciates to ₹67.50 to the dollar when its appeal gets decided, the effective tax cost for it would be ₹1.11, along with penal interest.

"Indian subsidiaries of offshore entities should consider the rupee factor. The MNC can use the value of the rupee to its advantage. Interestingly, with the sharp fall in the value of the rupee (around 10 per cent in the last one year itself), the effective cost of participating in this scheme for Indian subsidiaries has reduced. One person's loss is another person's gain. Hence, Indian subsidiaries should assess whether the fall in the value of the Indian currency and accordingly consider participating in the scheme," said Sanjay Sanghvi, partner at Khaitan & Co.

The tax department started getting enquiries after the government extended the date for making tax payments under the scheme (without any interest) to June 30. Under the original scheme, if a taxpayer were to make payment after March 31, some additional tax was required to be paid.

The extension has given time to many taxpayers (especially corporate taxpayers) to take stock of their pending tax disputes.

Some enquiries the tax department has received were on the merit of the dispute. For instance, taxpayers are doing a cost-benefit analysis, considering how old the tax dispute is. "One of the most attractive features of this scheme is that if the taxpayer pays the disputed amount before the prescribed date, the penal interest is waived. For tax disputes that have been pending for many years now, the penal interest component can sometimes be more than the disputed tax amount itself," said Sanghvi.

Contraction in GDP for India may be short-lived: UBS

ANUP ROY
Mumbai, 6 April

The Indian economy would be severely hit by Covid-19 and could even enter contraction, depending upon the severity of the pandemic, but the recession would be the shortest on record, according to UBS.

"The potential slowdown of the economy will be determined by the duration of the lockdown, and the economic policy choices taken to ensure safe recovery," said Tanvee Gupta Jain, chief India economist of UBS, in a call.

On a scale of one to 10, in terms of mobility restriction, India is in the red zone of 10. In comparison, China's mobility restriction is about 4 on the scale. The base case for mobility restriction in the case of India would be a lockdown till mid-April, or another week of lockdown, followed by limited mobility till June.

"If the situation normalises by middle of May, the damage would be limited and the upside case for GDP growth for India would be 4 per cent for 2020-21," the UBS economist said.

However, in a downside scenario, assuming the disruptions are going to last till September, which implies four-five weeks of lockdown, followed by seven-eight weeks of restricted activity, and then very gradual normalisation, "India could for the first time, since 1980, witness negative GDP."

The contraction could be minus 0.2 per cent year-on-year for 2020-21, Jain said. In any case, consumption will be hit badly because of possible job losses and reduced income levels. This will further constrain the household balance sheet, which was anyway going through some pressure as income levels were not increasing, while savings had collapsed very sharply.

Gupta said almost 30 per cent of the household consumption was related to services. Due to the lockdown and mobility restrictions, this demand for service may collapse, and consumption during the disruption phase may get completely lost.

Private sector would also shy away from any fresh investment, letting the public sector do the entire heavy lifting. According to the latest numbers, the capacity utilisation is just about 69 per cent in December, indicating that even before the spread of the pandemic companies were sitting on idle capacity. That makes it even more challenging for them to invest when the demand has collapsed. The supply disruptions caused by migration of labour will also adversely affect industrial production numbers, said UBS.

The hit on global economic growth will be sharper than the 2009 credit crisis. The global economic growth would likely be a negative 1.5 per cent due to the pandemic. During the credit crisis, global GDP contraction was minus 0.007 per cent.

S&P: Crisis to hit Indian, Chinese banks hard

Global rating agency Standard and Poor's (S&P) has said the Covid-19 crisis will hit the Indian, Chinese, and Indonesian banking systems the hardest in the Asia Pacific region. Non-performing assets could rise by $600 billion and credit by $300 billion in 2020 in the region, it said.

The credit cost, amounts set aside for bad and stressed loans, for the Indian banking system will rise to 2.8 per cent in 2020-21, from the previous estimate of 1.5 per cent, S&P said in a statement. The pandemic will hit the demand and supply sides of the economy via domestic and external channels. It said if the slowdown is accompanied by mass unemployment, it may hurt the personal loan book of banks, which now form around 7 per cent of the total loan book.

ABHIJIT LELE

'Force majeure does not extend expiry dates in letters of credit'

CHATROOM

T N C RAJAGOPALAN

Many of the letters of credit opened by foreign buyers on us for export of goods expire during the lockdown. We have made the shipments but are unable to present the documents to the bank under the letters of credit within the validity period. Can we take the plea that the force majeure situation allows us to present the documents on the first day after the lockdown ends?

No bank holiday has been declared for the duration of the lockdown. In any case, according to Article 36 of the Uniform Customs and Practices for Documentary Credits, International Chamber of Commerce (ICC) Publication number 600, known as UCP 600, "A bank assumes no liability or responsibility for the consequences arising out of the interruption of its business by acts of God, riots, civil commotions, insurrections, wars, acts of terrorism, or by any strikes or lockouts or any other causes beyond its control. A bank will not, upon resumption of its business, honour or negotiate under a credit that expired during such interruption of its business." Therefore, you have no option but to seek extension in the period for presentation of documents under the letters of credit.

We are a real estate company and we sell apartments to foreign customers under contractual arrangements. This involves supply of goods and services. Consideration is discharged by our customers in foreign exchange (direct transfer/transfer from their NRE account maintained in India to our account). Will these transactions be construed as service exports, vide Para 9.51(ii) of FTP2015-20? If so, are we entitled to SEIS claims for eligible services rendered (Appendix 3D), vide Para 3.10 FTP2015-20?

Sale of apartments is not a service, although construction of apartments may involve a service element. I doubt also, whether you invoice only for various services involved. So, I find it difficult to see how sale can be covered under Para 9.54 (ii) of FTP. Also, please note that what services exported during 2019-20 will be eligible for SEIS, and what their rates will be, are not yet notified. For 2020-21, a decision on whether SEIS benefits should be granted is yet to be taken.

We export goods under LUT to Nepal. How can we claim input tax paid on the raw material? We also have domestic sales of the same item. Can we adjust this amount against output tax paid on domestic sales? What is the procedure to be followed?

Exports are zero-rated and not exempt supply. So, you can take input tax credit in respect of the goods and services used, or to be used for making the zero-rated supplies in accordance with Section 16 of the CGST Act, 2017. You can utilise the credit for payment of tax on your domestic sales in accordance with Section 49 of the said CGST Act. For procedures, you may refer to Chapter V and VIII of the CGST Rules, 2017.

Business Standard invites readers' SME queries related to excise, VAT and exim policy. You can write to us at smechat@bsmail.in

Saving agri sector from Covid-19

The steps taken by the government to contain the spread of the virus and mitigate the damage from the lockdown have come at the right time

FARM VIEW

SURINDER SUD

When most sectors of the economy are adversely hit by the lockdown due to the Covid-19 pandemic, agriculture could not remain wholly unaffected. But the government's prompt move to exempt all agriculture-related activities from the restrictions imposed under the lockdown has helped to mitigate, though not totally ward off, the damage to the farm economy.

The most noticeable fallout of the curbs that continue to haunt the farm sector is the labour crunch caused by the aberrant movement of migratory labour. The usual inflow of nomadic workforce into the country's key north-western rabi belt during the harvesting and sowing seasons could not occur this year due to sealing of inter-state borders and the scare of the Covid-19 virus. Even the daily workers of urban areas, including the national capital region, who normally shift to the countryside in this season to benefit from the crop harvesting-driven spike in agricultural wages, chose not to do so this year. They have, instead, opted to head towards their native places in Uttar Pradesh, Bihar and elsewhere.

The availability of transport vehicles had also dwindled in the initial stages of the lockdown as many trucks got held up at inter-state borders because they carried non-essential goods. But the situation is gradually improving after the government eased cargo-related restrictions on their movement.

The Covid-19 menace has, indeed, come at a critical time when the rabi crops are either ready for reaping or are heading toward maturity. In fact, gathering of crops like mustard, lentil, maize and chillies has already commenced. The two major rabi crops — wheat and gram (chickpea) — are in the final stages of their growth. Any interruption in the movement of men and material at this stage is bound to prove costly.

Realising the importance of timely completion of vital farm operations like harvesting, marketing and the upkeep of the crop produce, the Indian Council of Agricultural Research (ICAR) has come out with an elaborate set of guidelines for farmers, farm labourers and other stakeholders. The broad objectives of these advisories are to save the farm workers from catching the coronavirus and preventing them from spreading it further; and to minimise the impact of this pandemic on Indian agriculture. The national as well as the state-specific advisories have been translated into 15 languages and circulated in the form of an e-book.

For the main rabi crop of wheat, the ICAR has advised deferring the harvest till around April 20 to buy time to sort out labour- and logistics-related issues. According to ICAR director-general Trilochan Mohapatra, the ripening of wheat crop is likely to be delayed this year by 10 to 15 days as the temperature in most parts of the wheat-growing region has remained below normal till the beginning of April. So, delaying harvesting till the third week of April would not cause any significant loss in output. This would, in fact, let the Food Corporation of India, state grain purchasing agencies and parastatals make the necessary preparations for the procurement and subsequent management of the procured grains.

The precautionary measures against Covid-19 range from simple personal safety steps, such as social distancing, frequent hand washing and the use of face masks and protective clothing, to regular sanitisation of farm implements and machinery, including combine harvesters, tractors and other equipment. Even the material used for packing and carting the gathered products, such as gunny bags and buckets, are recommended to be disinfected by dipping them in 5 per cent neem solution.

Farmers have been advised to limit the number of labourers working simultaneously in the fields to avoid congestion. Preferably, only the known workers should be engaged after ascertaining their medical history. The workers should maintain a safe distance of around one metre between themselves while working, taking rest, eating meals or loading and unloading the goods. These precautions need to be observed throughout the chain of activities from harvesting to the wholesale and retail marketing of farm produce. Otherwise, the Covid-19 would have an upper hand.

surinder.sud@gmail.com

CHINESE WHISPERS

Covid protocol breached

More than 20 officials of the Madhya Pradesh state health department are suffering from Covid-19. These include senior ones such as Principal Secretary Pallavi Jain Govil, MP Health Corporation Managing Director and MP Ayushman Bharat Yojana Chief Executive Officer J Vijay Kumar and Additional Director (Communication) Veena Sinha. During this time, some rules seem to have been broken. According to the rules, Covid-19 positive patients should be admitted to designated hospitals. But the principal secretary continues to stay at her residence, while another went to a private hospital. He was shifted to a designated hospital only after the red flag was raised.

Monday of icons

The Bharatiya Janata Party (BJP) on Monday celebrated its 40th foundation day. The Bharatiya Jana Sangh was reborn as the BJP on April 6, 1980. While Prime Minister Narendra Modi (*pictured*) addressed party workers through video-conference, others like BJP chief J P Nadda unfurled the party flag at their residence and paid obeisance (before their pictures) to Syama Prasad Mookerjee, Deendayal Upadhyaya, and "*Bharat Mata*". Congress leaders such as Rajasthan Chief Minister Ashok Gehlot reminded the people that this day the Mahatma Gandhi-led Dandi March, or the salt satyagraha, had culminated in 1930. Nationalist Congress Party chief Sharad Pawar implored the people to follow in the footsteps of 19th-century social reformer Jyotirao Phule, who campaigned against superstition and whose birth anniversary is later this week.

Help over net

The Centre on Monday said 769 foreign tourists had registered on its portal *www.strandedinindia.com* since it was launched on March 31. It said states and Union Territories had deployed nodal officers to assist stranded foreign tourists. It said an American woman was in Supaul, Bihar, amid the lockdown, while her son was undergoing a surgery in Delhi. The portal facilitated her travel to Delhi. Similarly, the portal helped two Costa Ricans in Chennai after their surgery. An Australian family, touring India, was in Ahmedabad and a member of the family who had epilepsy had run out of the medication prescribed by Australian doctors. The portal helped the tourist find relief: The office of the district collector provided him sufficient medication and food, besides offering them local transportation.

Clock stops for consumer companies

Makers of hygiene and essential items may not feel the pinch but discretionary categories have a long road to recovery

VIVEAT SUSAN PINTO

Factories, offices and markets have fallen silent for now. As the lockdown drags on and movement remains restricted for all in India, consumer companies are assessing the impact of the shutdown on their businesses.

Though the Centre has clarified that the lockdown will not extend beyond April 14, states may still take their time to lift the curfew in their regions, depending on the number of cases that emerge every day. The picture hardly inspires confidence in companies, keen to protect their employees even as they aspire to continue business operations.

A snap poll by the Confederation of Indian Industry on Sunday brought out these fears of India Inc clearly. The survey of 200 chief executive officers (CEOs) of companies said they expected a sharp fall in revenue and profit over the next few months.

"As things stand now, there is no clarity yet on how long this lockdown will continue," says Arvind Singhal, chairman, Technopak, a Gurugram-based management and retail consultancy.

"This means a straight impact on discretionary consumption because people cannot step out freely, shop, eat or watch movies as they did earlier. The focus will be on buying essential items, including food and groceries. Since we are in the midst of a health crisis, the emphasis on buying health and hygiene products for germ protection will also remain," he says.

Nielsen data shows that categories such as hand sanitisers, floor cleaners and toilet cleaners grew sharply in February as the virus scare began to increase in India. Nielsen has compared the figures with growth seen between November and January. March data is yet to be shared by Nielsen.

Hand sanitisers, for instance, saw a sharp growth of 53 per cent in February as against 11 per cent growth between November and January. Floor cleaners and toilet cleaners, on the other hand, grew 17 per cent and 13 per cent each versus 10 per cent and 9 per cent seen earlier.

Mayank Shah, senior category head, Parle Products, says the disruption to supply chains have been significant, which will take time to restore. "There has been an impact on business due to the lockdown and virus scare. From 7 per cent growth seen in January and February respectively, the growth rate in biscuits in March was down to three per cent. And April will be no better as the lockdown will continue for half the month," he says.

TAKE TWO

ANALYSIS BEHIND THE HEADLINES

Nielsen has maintained its growth forecast for the January-March at 5-6 per cent but most fast-moving consumer goods (FMCG) companies estimate growth to be half of that, at three per cent, as the impact of the lockdown stretches beyond the three-week period. The growth in staples and hygiene categories, say companies, may not offset the overall decline in the market.

"While FMCG will still be resilient versus many other sectors, the fact remains that recovery in terms of demand will take time," says Mohit Malhotra, CEO, Dabur India. "The FMCG market was seeing a slowdown before the pandemic, the lockdown has exacerbated the situation," he says.

Most companies from Hindustan Unilever (HUL) to ITC, Dabur, Nestle, Marico, Godrej Consumer, Coca-Cola as well as electronic and appliances firms have either scaled down or temporarily halted operations in view of the lockdown. While the government has permitted transportation of both essential and non-essential goods, companies admit that challenges remain and a recovery in terms of operations is at least two quarters away.

"April-June is a washout and we do expect demand to be back in this period. The festive season could see some uptick, but that is two quarters away," says Kamal Nandi, business head and executive vice president, Godrej Appliances.

For the retail market, the challenges are even more because people remain fearful of stepping out and congregating at shops and retail establishments for fear of catching the virus. The government has been strict in enforcing the lockdown, permitting only grocery retailers to operate across with strictures to maintain hygiene standards and ensure crowd management.

With malls, multiplexes and shopping centres shut, categories such as lifestyle, fashion, electronics and fast-food retail have also seen big hit on their business. Estimates are these categories will take at least six to eight months to recover since concerns of local transmission of the virus remain high.

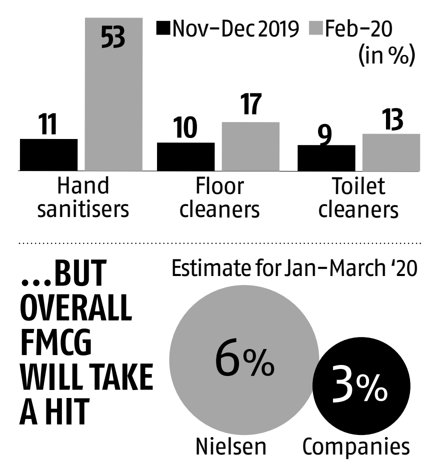
From invoking the force majeure clause to putting all expansion plans on hold, retailers say the situation remains grim as they grapple with no sales, limited workforce and nervous consumers.

They are now seeking urgent relief measures from the government and banks. This includes an extension of the loan moratorium to 270 days, providing additional working capital to tide over the cash crunch, making available easy credit lines to pay wages and salaries and relaxing share pricing norms for qualified institutional placements and preferential share allotments.

"Since most stores are shut, retailers have zero revenue. At the same time, they have to pay overheads such as salaries, electricity and rentals. An extension of the moratorium will provide some relief," Kumar Rajagopalan, CEO, Retailers Association of India, said.

Devangshu Dutta, CEO, Third Eyesight, says retailers will liquidate their stocks at a discount once the lockdown is lifted in phases. He also says that sale periods could extend for longer durations and newer inventory could take time to get into stores.

CLEAN SWEEP



Source: Nielsen/industry

ON THE JOB

Unemployment rate over 23 per cent

Labour statistics for March 2020 are worrisome. And those for the past two weeks are much worse

MAHESH VYAS

In March 2020, the labour participation rate fell to an all-time low, the unemployment rate shot up sharply and the employment rate fell to its all-time low of 38.2 per cent. The fall since January 2020 is particularly steep — almost spectacular. It seems to have nose-dived in March after having struggled to remain stable over the past two years. Then, there is a precipitous fall.

The labour participation rate in March 2020 was 41.9 per cent. It was 42.6 per cent in February and 42.7 per cent in March 2019. We had feared a fall in labour participation rate because of the national shutdown to contain the spread of coronavirus. But this fall seems to have happened even before the lockdown. Of course, it gets much worse as we move into the lockdown.

This is the first time that the LPR has fallen below 42 per cent. Between January and March 2020, the LPR has fallen an entire percentage point — from 42.96 per cent in January to 41.90 per cent in March.

This fall in the LPR in March was the result of a sharp nine million fall in the labour force — from 443 million in January 2020 to 434 million in March 2020. The components of this fall is telling of the times. The labour force consists of all employed persons and persons who are unemployed and are actively looking for jobs. What has happened between January and March is that the number of employed fell from 411 million to 396 million and the number of unemployed increased from 32 million to 38 million.

So the 9 million fall in the labour force consists of a 15 million fall in the count of employed and a 6 million increase in the count of unemployed.

These are very big variations and are subject to the usual sampling errors. It, therefore, may not be very wise to focus on the magnitude of those movements but on the certainty of the movements. It is evident that there was a significant fall in employment and there is a simultaneous significant increase in unemployment in March 2020. And this is what shows up in the rather sharp rise in the unemployment rate.

The unemployment rate in March was 8.7 per cent. This is the highest unemployment rate in 43 months. Or, since September 2016. The rate has climbed rather steeply from the 7.16 per cent level of January 2020. The unemployment rate has been rising steadily since its low point of 3.4 per cent in July 2017. But, the 98 basis point increase in March 2020 over the previous month is the largest monthly increase recorded. And the 158 basis point increase over two months ended in March 2020 is, similarly, the largest increase over a two-month period recorded so far.

The scene gets much worse as we move into the lockdown period.

As we do that, it is important to point out the one difference between the estimations made for March 2020 and all previous months. Usually, the data deployed in making labour market estimates of a month are collected continuously during the month. Field operations of the Consumer Pyramids Household Survey deliver data for over 3,500 individual members who are of 15 years or more every day. The total sample deployed in making monthly estimates is usually over 117,000 individuals.

In March 2020, survey operations were disrupted during the last week of the month because of first, the selective shutdowns in some states and towns and then a nationwide lockdown. We did manage to get some data during this week but it was much smaller than the usual numbers.

As a result, the sample size for March 2020 is 83,929 observations. This is not small although it is much smaller than the usual sample size. The average sample in the preceding six months was 117,382 individuals of more than 14 years of age.

Nevertheless, the sample is large enough to yield robust estimates. It is also unlikely that we missed the deterioration of the last week.

Although the survey was suspended in the last week, enumerators who were in the field on March 24 and March 25 continued to report observations. And by March 30 we did manage to get observations over telephonic interviews. As a result, CPHS yielded 2,289 observations in the last week of March. These were evenly spread over rural and urban areas.

The unemployment rate during this last week was 23.8 per cent. Labour participation rate fell to 39 per cent and the employment rate was a mere 30 per cent.

Telephonic interviews caught pace in the week ended April 5. We had 9,429 observations. These yielded an unemployment rate of 23.4 per cent during this week; an LPR of 36 per cent and an employment rate of 27.7 per cent.

This is really worrisome.

The author is MD & CEO, CMIE

LETTERS

Step by step

The lifting of the countrywide lockdown, as hinted by the Prime Minister, has to be planned carefully and executed meticulously. Any wrong step will totally wipe out all the reliefs being provided. Any wrong move by the government, there will be chaos and people will have to bear heavy losses. In the first phase, the government should not allow opening of any entertainment avenues like cinema halls and malls, hotels, religious places and the like. The idea should be not to allow large gathering as far as possible. Since transport plays a crucial role in any economy, the Centre should first focus on this as to whether buses, metro trains or railway services could be resumed in the country.

In the next phase, all educational institutions, hotels etc should be allowed to function after random checking of blood samples locality-wise by the government or private hospitals. A minimum time gap of say five or six days between every phase of lifting the lockdown should be taken after feedback from hospitals\surveyors. It is only after confirming the non-prevalence of the virus or reduced prevalence amongst the affected persons, should the government lift the lockdown totally. Last but not the least, the government should not restrict information flow by press or electronic media.

Katuru Durga Prasad Rao Hyderabad

Do not rush

Effective lockdown and quarantine would bring the impact of Covid-19 within manageable limits in India. A country like India with limited health care infrastructure has no option but to enforce these measures effectively. The Prime Minister has hinted at a common exit strategy from the current 21-day long lockdown. He thinks that there is no need to prolong the lockdown beyond April 14. But, the government and citizens must be on full alert once the lockdown is lifted. India must ensure that the virus does not spread. Before lifting the lockdown, it would be good for the government to let science and data dictate its decision. If India is witnessing a surge in the number of coronavirus cases, it might be good to extend the lockdown.

Venu G S Kollam

No infodemic, please

Defying the international trend, which shows that most affected people from Covid-19 are aged above 60 with comorbid conditions such as diabetes and respiratory problems, 60 per cent of positive cases in India are between 21 and 40 years of age, according to a statistics released by Indian Council of Medical Research.

Though it doesn't need to be construed as a worrying development as the rate of mortality among people between 21 and 40 years of age remains low, it clearly underlines the fact that the virus doesn't discriminate people on the basis of their age, caste, class, community or nationality.

What needs to be understood here is the virus cannot be fought by unscientific and irrational methods like lighting lamps, banging metals and resorting to sloganeering. Dissemination of scientific information about Covid-19 among people at large and not an "infodemic" is the need of hour.

M Jeyaram Sholavandan

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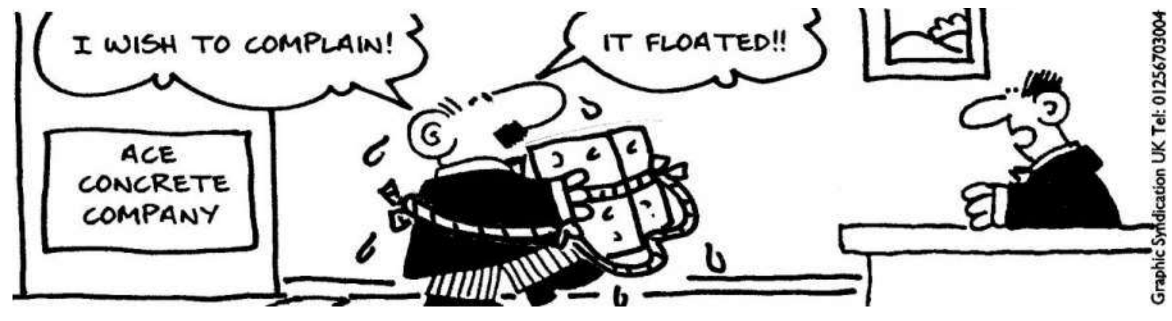
HAMBONE



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Better late than never

Lockdown should be lifted with care

It is welcome news that the Union government is stepping up its battle against the novel coronavirus. India's public health response had been foundering on account of several shortages till recently. There were not enough people being tested; there was not enough personal protective equipment (PPE) like masks available; and there were too few ventilators for those who might proceed to the pneumonia stage of infection. According to the government, it has made strides in recent days towards addressing all these deficiencies. Most of these should have been organised earlier, but better late than never, since there is the real fear that the virus may not disappear soon like some earlier ones and be in the air for many months, through second and third waves of infections.

Although the testing data continues to be somewhat deficient — for example, it is not clear whether the number of individuals tested, as distinct from the number of tests conducted, is being properly reported in the official data — it is clear that the number of tests has been ramped up. Almost 90,000 tests have been conducted as of 9 pm on Sunday, according to the Indian Council of Medical Research. The rate of testing has now reached over 9,000 tests per day and is likely to go up to 20,000 tests per day (it was stuck at 2,000 not so long ago). While this is still below the necessary test penetration, it is a clear improvement. More data will help the government in containing the pandemic and take policy decisions. The scale of the requirements of medical equipment is staggering, but there too the government has been active. According to the reports, the government will need 27 million N95 masks, 15 million PPEs, and 1.6 million diagnostic kits. India has 16,000 ventilators on hand and a further 34,000 have now been ordered. Some of this equipment will have to be procured from abroad.

It is important for the government to ensure that it builds a sufficient stockpile of these materials. The government seems aware of India's position on the curve of infections — if the European experience is anything to judge by, the country is just short of explosive growth that comes with cases doubling in less than four or five days. If India is at around 50,000 cases in the next few weeks, then lifting the current lockdown will become a complex decision. It will be difficult to return to complete normalcy, as that would allow suppressed growth to recover and once again become exponential.

The government therefore should also be working on the mechanisms required to ensure social distancing alongside a phased relaxation of the lockdown, perhaps in less affected regions. If air travel resumes after April 15, when the current lockdown ends, all passengers should be tested before they board; perhaps middle seats could be left empty, or every alternate row. Ditto with train travel. Companies should be asked to get their employees to continue working from home to the extent feasible. Social distancing in markets and other public places should stay and group gatherings should remain banned. Non-essential shops should be allowed to open only on one or two days a week. Together with this, the government's commendable effort at public messaging about the dangers of the virus must continue. At the same time, the economy should be allowed to get back on its feet, not kept in deep freeze.

Exuberant irrationality

Discourage non-scientific ideas of fighting Covid-19

The fight against Covid-19 is evolving globally as research laboratories and pharmaceutical companies race against time to find viable medication and vaccines. Until those emerge, social distancing and enhanced testing remain the most effective defences against this unique respiratory virus. Given that India's poor health care infrastructure has prevented widespread testing, high population density underlines the criticality of social distancing. Of considerable concern, then, are the various non-scientific ideas about fighting Covid-19 that have gained traction over the past few weeks. From the supposed benefits of cow urine and cow-dung and sundry traditional medical cures to viral videos of Covid-19-banishing pujas, there is no shortage of purveyors of wholly unproven remedies.

In a country where low education levels combine with deep religiosity and superstition, this is a dangerous path to follow. Most of these notions have been advanced by Bharatiya Janata Party politicians of the same ilk as those who have theorised about ancient India's nuclear weaponry and plastic surgery capabilities in the past. Their influence may not be pervasive but their statements — including the outright false claim that Prince Charles turned to Ayurveda to cure himself — are hardly helpful at a time when the virus is rampant and ignorance about it is high. The risks multiply when the issue acquires a religious hue.

Consider, for instance, Tablighi Jamaat Markaz chief Maulana Saad's alleged statement that social distancing is designed to prevent Muslims coming together is true — the validity of the tape is yet to be established — or the various self-styled "god men" that populate the airwaves expounding the virtues of yoga and meditation to fight the virus. Religious leaders should stick to religion, not stray into areas about which they know nothing.

Prime Minister Narendra Modi has spoken out on this, but himself seems to have used some astrological belief to enforce a nationwide electricity shutdown; this has encouraged those who make a living from the perennially booming business of superstition to offer their bogus explanations of the supposedly propitious aura that such activities generate — from invoking "sacred" sound to using the power of light and the auspicious number nine to attract the virus like a moth. The fact that so many Indians, including educated ones, proved credulous enough to participate in such placebo group activities may not be surprising. But it is certainly worrying when in many places, crowds came out on to the streets to wave candles and torches in blatant violation of safety norms. The prime ministerial advisory is all the more surprising since Mr Modi has a "corona task force" comprising the country's leading health experts, scientists, and epidemiologists to advise him. Indeed, the Covid-19 crisis would have provided an opportune time to focus on the revival of the scientific temper that enhanced India's global reputation in the 1950s and 1960s. Jawaharlal Nehru's ideas may be out of fashion in today's hard-nosed political environment but his focus on science remains valid, especially if India is to combat effectively the impact of the most deleterious virus of modern times.

ILLUSTRATION: AJAY MOHANTY

Hail the power of networks!

Not just in the fight against Covid-19 but also in politics, economics and society

AJIT BALAKRISHNAN

Words such as "infection", "social distance", "propagation", "seclusion" and "transmission" have suddenly become a part of common people's conversation, as well as keywords in speeches by political leaders. When a Covid-19 infected person is discovered in a community, energetic efforts are launched by citizens and law-enforcement authorities to locate the "super-spreader" and trace, list and test everyone that person has been in touch with. "Network Science" is suddenly being practised by people as humble as a rickshaw puller to people as lofty as heads of state. It is no longer the domain of just scholars of esoteric sciences.

Talk to anyone who has even a passing acquaintance with Network Science and he will tell you that networks are around all of us. Some of these are familiar to practically everyone: Telecom networks and computer networks, for example. Telecom networks help us— users of telephones — to connect to one another using "connectors" like telephone exchanges. Computer networks help us connect by way of our personal computers and smartphones and allow us to send text messages, audio and video clips to other people. We all know by now that while most of the time, telephone and computer networks do a wonderful job for us, they can occasionally be used by "baddies" to eavesdrop on conversations, spread annoying commercial messages and even lure us into giving away our bank account numbers and passwords and steal money from us.

Then, there are networks less familiar to the average citizen but studied extensively by scholars, such as biological networks where proteins are seen interacting with each other ("Protein-Protein Networks"), or "DNA-Protein Networks" , "Gene Co-expression Networks", all of which are involved in the birth, growth and health of every form of living body, be it human, animal, bird or insect. These networks have been the subject of study for decades by government and private sector laboratories.

And, of course, practically everyone nowadays has something to do with social networking sites on the internet — Facebook, Linked In, Twitter, to mention a few.

What is astonishing though is the discovery over the last two decades or so that all the above, apparently different networks— telecom, biological, disease— can be understood with the help of certain common concepts.

To start with, all networks have "nodes" and "edges". In the case of Covid-19, the nodes are us human beings, and the edges are what connect the edges together to make up the network. These edges can be, in the case of landline telephones, actual physical cables; in the case of mobile phones, electronic signal; and in the case of human social networks, a psychological feeling of "people-like-me".

Scientists have also formulated other properties of networks: "Size" (the number of nodes in that network), "Density" (the number of actual connected nodes to the maximum connections possible), the "Degree" of a node (the number of other nodes connected to it and "Degree Centrality" (the extent to which a node acts as a bridge between other nodes).

All this may make you yawn and induce you to murmur, "let these scientists have fun with such complicated notions but why should I bother to understand any of this stuff?

Well, wait, things can get exciting when you apply it to networks between people.

Let's start with Old Boys Networks, the practice of hiring only those people in your firm who have gone to the same high school as you. This was widely prevalent in the multinational companies in India up to the late 1950s. You had to have gone to Doon School, St Paul's or Lawrence School before you even got a chance for an interview.

Researchers say that most social networks exhibit "homophily", i.e., members of a network are prone to maintain relationships with those who are like themselves as measured by social class, race, gender, religion or profession. Research in the United States says that 60 per cent of first jobs are found through such social networks. More generally, researchers have found strong evidence of networks in labour markets, particularly in immigrant populations.

Then of course there are "viral videos", videos on the internet that suddenly catch the fancy of people who then keep forwarding them to friends and acquaintances: Some videos have achieved more than a 100 million views in a few days worldwide purely on the basis of their virality. The specific processes at work that causes virality of this scale are, as yet, not fully understood though theories abound.

The finance sector has had its share of network catastrophes: "Financial contagion" is the phrase used to describe this process and can happen at both the international and the domestic level. The pattern observed so far is that these chain of failures in financial intermediaries are triggered by the failure of a domestic bank or financial intermediary and this failure is transmitted when it defaults on inter-bank liabilities and /or sells its assets at throwaway prices which brings into question the valuation of assets of similar banks.

And finally, there is this whole body of research which speaks of "Network Effects"; when a network effect is present, the value of a service to a person increases with the number of others using it. For example, more the number of users using a credit card, more the number of shops who will accept it and hence even more users will use that credit card. The contemporary venture capital industry is predicated on this faith in Network Effects.

Maybe, it is time for Network Science to be included in school and college syllabuses just as Physics, Chemistry, Botany, Mathematics, etc, and for it to become a required part in the times to come of counting a person as "educated".

The writer (ajitb@rediffmail.com) is an internet entrepreneur

The bright side of lockdown

SOUMYA KANTI GHOSH & BIKRAMJIT CHAUDHURI

As India goes through a nationwide lockdown, we are reminded of the phrase "collective effervescence", coined by French sociologist Emile Durkheim 100 years ago to describe the shared emotional connect people experience during religious ceremonies. The same concept even applies to sporting events where spectators simultaneously experience emotions during the course of a game. Interestingly, "much of the thrust of behavioural economics has involved, or at least could be construed as involving, an enhanced understanding of emotions", says Rick S and Loewenstein G (2008).

Ironically, the response to the Covid-19 pandemic goes against this tenet of collective behaviour. We are now doing something that does not come naturally to humans: Stay away from one another. Such social distancing that India is currently practising is crucial for slowing the spread of the virus and preventing our health care systems from getting overwhelmed. But it is much easier said than done.

The pandemic spreading around the world is calling on us to suppress our profoundly human and evolutionarily hardwired impulses: Seeing our friends, getting together in groups or touching one another. Additionally, this tests the human capacity for cooperation because we are not just trying to protect people we know, but also people we do not know — or possibly care about. Over a longer period, social isolation can increase the risk of a variety of health problems, including heart disease, depression, dementia, and even death. A 2015 meta-analysis of scientific literature showed that chronic social isolation increases the risk of mortality by as much as 29 per cent, with older people being more susceptible. That may be because social contacts can buffer the negative effects of stress.

Can technology help compensate for some of the downsides of social distancing? Yes, but only to an extent. Texting, email and apps, such as Skype and FaceTime, can definitely help people stay in touch. Even so, those modes of communications don't entirely replace face-to-face interactions. When we interact with another person, a lot of the meaning conveyed between two people is not expressed in actual words but in non-verbal ways.

Social isolation, a troubled economy, and an uncertain future make for more than abandoned airports and empty grocery shelves. But not all hope is lost. Even with social distancing, a lot of things that we need emotionally can still be incorporated into our daily routine, such as exercise, material change in food habits, rotating workforce, developing a hobby and even human connection. Remember, all of this is nudging people for a change in their behavioural habits.

And in that context, the label "social distancing" could indeed be a misnomer. While we must be physically distant, it is crucial that we maintain, or even increase, social contact during this unprecedented time. There are positive aspects to the lockdown. Social distancing can trigger behavioural change for the better, especially in drinking habits. When the Pradhan Mantri Jan Dhan Yojana was launched, poor people were using their account balances to spend more on health care, rather than on intoxicants. This time, we are supposed to restrain ourselves. Who knows, it could result in positive changes?

The lockdown could prompt companies to rethink and innovate how they function. In this era of technology, why can't we have a rotating workforce to work remotely, say once a week, even schools could teach online once a week. For millennials, the threshold between physical and digital does not exist: It's Phygital! This requires the best of both worlds to create unified experiences so that everything happening in the digital scenario influences the physical one and vice-versa.

Finally, the positive impact on Earth is visible to everyone. We have seen the tweets about nature reclaiming its space in this fresh and pure human-free world. Air quality index — a pretty robust metric for air pollution levels and to understand the impact of lockdowns, at least on our lower atmosphere — has improved drastically between the end of January (week five) and now. Specifically, the nitrogen dioxide levels have fallen since there are practically no cars on the streets and very few industries are operating. How valuable are the things we take for granted in nature is best summed up by these words of a 93-year-old Italian who survived Covid-19: "Only when we enter the hospital can we know that even breathing oxygen with a ventilator costs money."

Yet, no amount of improvement in our climate can justify or make up for the loss of lives, suffering and pain that the world is going through. But, what we can do is perhaps learn from it. The Covid-19 crisis has reached this stage because some in the ruling class were busy denying its effects, just as they are in denial mode regarding climate change. The next crisis may be a climate one. Are we preempting it? Are we ready for that?

The 1.3 billion people of India will survive this deadly pandemic. The country had 42 million cases of respiratory infection in 2018, of which there were 3,740 deaths, a fatality rate of 0.08 per cent. So, we definitely will overcome this crisis too. Stay safe.

Ghosh is group chief economic advisor, State Bank of India, and Chaudhuri is senior vice-president, Datamatics Global Services. Views are personal

Bureaucracy's 'Subramaniam Swamy'

BOOK REVIEW

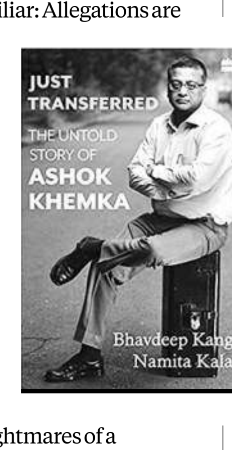
SAI MANISH

Journalists Bhavdeep Kang and Namita Kala note in their book *Just Transferred The Untold Story of Ashok Khemka* that India's bureaucrats fall into three broad categories. There are the dishonest and incompetent ones, the dishonest and competent ones and the honest and incompetent ones. Ashok Khemka, a Haryana cadre Indian Administrative Officer (IAS) fell into the rare fourth category. That of an honest and competent bureaucrat "often treated as an oddball and viewed with suspicion by peers." But was that really the case?

Though patronisingly written and shoddily edited, Ms Kang and Ms Kala's book provides a detailed account of Mr Khemka's administrative career, including his handling of the Robert Vadra-DLF case. Mr Khemka's punitive action when he was posted as director general of land, records and consolidation in Haryana against Mr Vadra's alleged misdeeds still defines him in public memory. A significant part of the book is about Mr Khemka's personal life and early days, but his administrative career is described in detail in the later half. The biggest flaw of the book is the vague narrative that is prominently visible in its operative parts. The authors make sensational allegations against un-named people and then drop them like hot potatoes.

For instance, Mr Khemka decided to withhold the salaries of doctors he found were largely absent from primary health care centres and came only to collect their salaries, he was subjected to intimidation. The authors describe the threat as coming from "a son of the CM" [chief minister] who ordered him to remit a particular doctor's salary and said it was impossible to defy the CM's son. Then an unnamed MLA is described as demanding parole for a relative while Mr Khemka was posted as the deputy commissioner of Jhajjar. The parole is granted after the un-named MLA meets then CM Om Prakash Chautala. The "same MLA" objected to Mr Khemka's anti-encroachment drive and the authors seem to indicate that this resistance led to his transfer. This was one of 53 transfers in 27 years of service.

There are serious allegations that the transporters' association lobbied with Haryana's "political leadership" to effect another one of his transfers after he decided to blacklist a few of them. There are allegations of one of his transfers being partly due to a "senior Congress leader" who had an interest in a toll bridge project that Mr Khemka had questioned. Then, there is the mention of an unnamed "godman" who approached him to join a new political party after he came into limelight during the Vadra controversy. The pattern the authors set soon becomes familiar: Allegations are raised, nobody is named and the book immediately moves to a new event.



JUST TRANSFERRED: The Untold Story Of Ashok Khemka
Author: Bhavdeep Kang and Namita Kale
Publisher: HarperCollins
Pages: 265
Price: ₹599

Although the narrative may be flawed, the underlying message of the book would make anyone question the abysmally low levels of probity in India's political leadership. The book details the nightmares of a bureaucrat who dares to reform a rotten system and innovate in a rigid bureaucracy. It outlines the perils of decision-making; where those in power can lie with impunity and make a simple and honest administrative decision look like a devious act when their own interests are at stake.

In many ways, Mr Khemka's career holds true for many in India's private sector as well. Young professionals are often encouraged to be the yes-men of their superiors to move ahead in their careers, never question a morally or ethically problematic decision by their bosses. As the authors note, "The witch hunt against him is a sad commentary on the Indian bureaucracy and the corruption therein. His own colleagues have proved all too willing to join hands with degenerate elements to fix an official who not only does not fit the mould but is unwilling to stand by silently while the public exchequer is being pillaged."

The book provides interesting insights into the Vadra deal and the repercussions Mr Khemka faced. The book also raises questions on why the Bharatiya Janata Party (BJP) government, which is in power at both the Centre and in Haryana, has failed to act against either Mr Vadra or DLF despite the exposed illegalities. The authors would have found the answer if they had examined the income statements of the BJP over the past few years. Despite being considered by the Modi government for a central posting immediately after coming to power in 2014, Mr Khemka is still in the state where he was posted to the archives department by the Manohar Khattar government in November 2019. Although the book won't give you the reason, it does offer a scintillating theory. Mr Modi was dissuaded by certain sections of the BJP to not bring Mr Khemka on board because he was the "Subramaniam Swamy of the bureaucracy". By the looks of it, scam busters as much as scams seem to scare the BJP.

Business Standard
The Smart Investor
NEW DELHI | TUESDAY, 7 APRIL 2020
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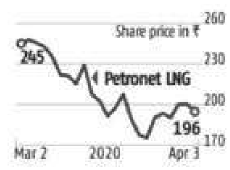
QUICK TAKE: SOFT GAS PRICES POSITIVE FOR PETRONET LNG



Petronet LNG, which hit a 52-week low on March 24, 2020, has rebounded by over 10 per cent thereafter. Soft gas prices are expected to push up demand as well as utilisation of its Kochi capacity. As the stock is still trading below its fair value and provides ample margin of safety, brokerages are positive.

Retail investors see ₹3-trn hit on investments amid sell-off

They build large positions when markets are at historical peaks, say experts

JASH KRIPLANI
Mumbai, 6 April

The sharp sell-off in the markets has taken a heavy toll on direct equity investments of retail investors, who have seen the value of their investments erode by nearly ₹3 trillion in CY20 so far.

The data from Capitaline shows that at the end of December, retail investors (those with up to ₹200,000 of investment in individual capacity), held ₹9.84 trillion worth of investments in over 3,000 listed firms on the exchanges. The value had shrunk to ₹6.87 trillion as on April 3, 2020. Only actively-traded stocks were considered for the analysis.

"Retail investors have seen investments getting hammered across sectors and stocks. Most of them have the tendency to build large positions when valuations are expensive, and face sharp hits on their portfolios during such bear markets," said G Chokkalingam, founder and managing director of Equinomics Research and Advisory.

According to market participants, retail investors tend to increase positions when markets are at historical peaks. Both the Sensex and Nifty have retreated more than 34 per cent from their recent peaks in January.

MARKET DYNAMICS

Retail investments in blue-chips have come under heavy pressure

Stock	Retail stake (%)	Since Dec 31, 2019 Price chg (%)	Mark-to-market impact (₹ crore)
Reliance Industries	7.51	-28.6	-20,752
HDFC Bank	7.46	-36.4	-18,688
Larsen & Toubro	19.4	-40.9	-14,266.
HDFC	6.74	-38.4	-10,622
Bajaj Finance	6.75	-47.8	-8,236
ICICI Bank	4.69	-46.6	-7,649
SBI	4.85	-47.5	-6,845
Bajaj Finserv	8.56	-51.7	-6,643
ITC	8.72	-25.3	-6,413
TCS	3.19	-23.8	-6,068

Source: Capitaline, calculated on basis of stake held as on Dec 31, 2019, and change in market cap since then

Besides heavy mark-to-market (MTM) losses in blue-chip stocks such as Reliance Industries (₹20,751 crore), HDFC Bank (₹18,687 crore), Larsen & Toubro (₹14,266 crore), Housing Development Finance Corporation (₹10,621 crore), and Bajaj Finance (₹8,235 crore), retail investors have also been caught off-guard in penny and low-price stocks.

Market participants say low-priced stocks attract retail investors as they expect lower downside in such counters and sharp upside on signs of recovery.

"Retail investors eye such counters as they can pick up a larger quantum of shares for the same cost of investment," said an analyst at a broking house.

In South Indian Bank — currently trading at ₹5 — the value of retail investments has shrunk by ₹330 crore. In Vodafone Idea, the investment value for retail investors has shrunk ₹170 core. In Reliance Power, the investment value has dipped by ₹124 crore.

Market observers say that many retail investors have a wrong approach to assessing a company's valuation. "Several investors see the absolute share price as an indicator of the company's valuation, rather than factoring in fundamental parameters to gauge the value of a firm," Chokkalingam added.

Experts also say retail participation could see a dent as the Covid-induced lockdown adds to pressure on cash flows of individual investors.

"Retail investors have once again burnt their fingers in the current market meltdown, but participation could recover as they'd look to make good the losses. However, investors who are facing a liquidity crunch with income from other sources coming under pressure will take some time to come back," said Deepak Jasani, head (retail research) at HDFC Securities.

Secondary share sales dominate IPO market

SUNDAR SETHURAMAN
Mumbai, 6 April

Secondary share sales continue to dominate the initial public offering (IPO) market, with the share of such sales in the total IPO proceeds coming in at above 80 per cent for the third straight financial year (FY20).

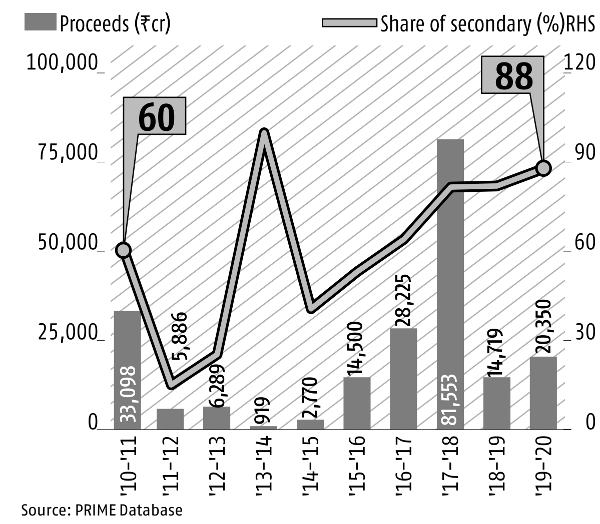
In fact, the pie of secondary share sales has grown every year since FY15, from 41 per cent to 88 per cent for the just concluded financial year.

A high share of secondary sales isn't a negative as it provides exits to private equity (PE) investors, thus freeing up capital to be invested in newer companies. It also helps promoters liquidate some of their holdings, thus incentivising them to list. However, the lopsided nature of the IPO market — with only secondary share sales dominating — is a sign of worry, say experts. This is because it results only in change of ownership of the equity. More importantly, it signals that the equity markets are being used less and less for expansion and setting up of new manufacturing units.

Market players say fewer entities are entering the market from capital-intensive sectors.

"Over the last few years, large issuances were being done by insurance and finance players, who were well-capitalised and did not necessarily need large primary capital.

PRIMARY SALES TAKE A BACKSEAT



Source: PRIME Database

The primary-secondary mix in an IPO is a function of funding requirements of the company and whether existing investors want to monetise. Public market investors would want investee firms to be well-capitalised. If you raise primary requirements far in excess of company needs, it will depress the return on equity (RoE)," said Nipun Goel, head (investment banking), IIFL Securities.

Experts say Indian markets have turned averse towards entities that require loads of capital to sustain the business. Therefore, firms from the real estate, infrastructure, power, and large-scale manufacturing sectors have barely been able to tap the equity capital markets since many years now.

"This trend underlines the nature of companies that the markets appreciate. A decade back, we had infra firms, which were asset-rich and in need of funds, getting listed. The way things are looking, there is no investment happening in the economy. Hence, this trend is likely to continue until the cycle turns," said Pranjal Srivastava, an independent capital markets professional.

Experts said that for infra and manufacturing companies to find favour, they will first have to improve their financials.

More on business-standard.com

THE COMPASS

Rail deal, trade impact to weigh on Concor

While valuations are attractive, disruption will keep volumes muted

RAM PRASAD SAHU

The Container Corporation of India (Concor) stock has shed 49 per cent since the highs of February, on worries related to the purchase of land from the Railways and the disruption caused by the outbreak of Covid-19 on global trade.

Even before the current meltdown, the stock was on a downtrend due to a possible ₹8,000-crore deal with the Indian Railways, which entails buying the latter's land on which the containerised cargo transporter operates a majority of its terminals.

The immediate impact, however, is from the demand slowdown due to disruption of the export-import trade, which accounts for a majority of Concor's revenues.

Analysts at ICICI Securities have lowered their volume estimates for FY21 and FY22 by 6 per cent each. The other worry for the company, which dominates the country's container rail freight business, is higher competitive pressure from the road segment.

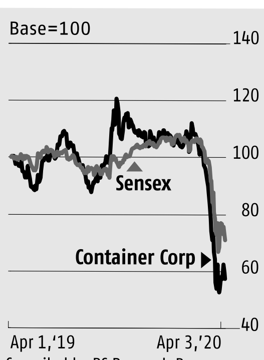
The sharp fall in crude oil prices will improve the profitability of road transporters, compared to rail freight operators such as Concor. Analysts at Kotak Securities highlight that the share of rail in container traffic has moved in the range of 19 per cent and 22 per cent over the past decade. They add that any sharp decrease in diesel prices is negative for rail container traffic and vice versa.

The other worry is the potential buyout of the inland container depot land by Concor, which could impact its cash flow generation over the next few years. Given the ₹3,000 crore of net cash estimated at the end of 2019-20, Concor would have to take a debt of ₹5,000 crore to fund the purchase. This would leave its balance sheet with a net debt, as compared to a net cash surplus at present. This, according to the brokerage, would limit Concor's scope to use the pricing lever to drive market share gains from commissioning of the dedicated freight corridor.

Despite the cut in earnings estimates, analysts at Edelweiss have upgraded the stock, given the sharp fall in stock price even after factoring in the purchase of railway land.

The business prospects for the next couple of quarters, however, remain weak.

While the land purchase may also put off potential buyers, any progress on divestment will be a positive from the investors' point of view.



Compiled by BS Research Bureau

India growth crucial for Torrent Pharma's health

The country accounts for 44% of overall revenues

RAM PRASAD SAHU

The Torrent Pharma stock had corrected 21 per cent from its February highs, before recovering lost ground, over the last couple of weeks. Among key concerns for the Street has been its domestic volume growth over the past year, regulatory worries, and valuations.

After its January numbers, analysts at Emkay Global pointed out the declining volume trend. "Torrent Pharma has now seen the fifth consecutive month of volume decline (9 per cent in January 2020). Though the company has managed to take price hikes, we believe this is not sustainable in the long term."

Praful Bora and Rajat Srivastava of the brokerage believe the company's top brands — Shelcal and Losar H — continue to witness steep volume decline.

The company — which gets a majority of its revenues from chronic therapies — posted 17 per cent growth in February, thus outperforming the pharma market's 12 per cent growth.

This was largely driven by higher prices, up by 8-9 per cent, with volume growth coming in at 2 per cent. It will be interesting to see if the company is able to sustain domestic growth, given it is the biggest market, accounting for about 44 per cent of revenues.

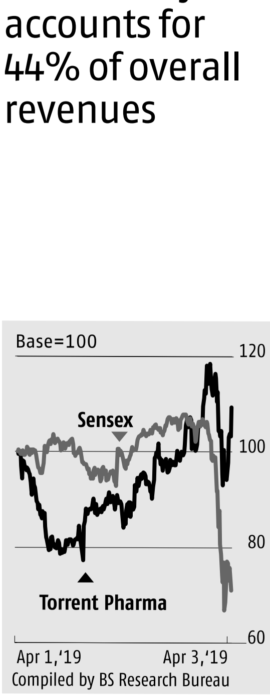
A key concern for the Street is the resolution of regulatory issues at the Dahej and Indrad facilities, which will enable it to launch its high-value products in the US.

Analysts believe that the US business (about a fifth of sales) could decline with the USFDA's Warning Letter on Indrad/Levittown facilities, as well as official action initiated against the Dahej Plant. While a re-inspection for Dahej has been scheduled for mid-CY20 and for Indrad by end-CY20, any adverse outcome from these would be negative for the company.

Valuations, too, are in the expensive zone. At its current price, the stock is trading at 33x its one-year forward earnings estimates, as compared to its five-year average of 23x.

Analysts at Motilal Oswal Financial Services believe the firm's premium valuations are linked largely to its domestic business, where pricing-led growth is unlikely to sustain.

Further, with most of the margin gains on account of the Unichem acquisition having been factored in, there might not be more gains hereon.



Compiled by BS Research Bureau

Arbitrage scores over liquid schemes

Post-tax returns are likely to be higher if you hold them for a year

SANJAY KUMAR SINGH

One category that carries very low risk in ordinary circumstances but witnessed volatility and large outflows in March was arbitrage funds. According to industry sources, about ₹32,000 crore flowed out of these funds (up to March 27). Experts say volatility has subsided. While there is no guarantee it won't recur, the possibility of investors losing money in this category is low.

YOUR MONEY

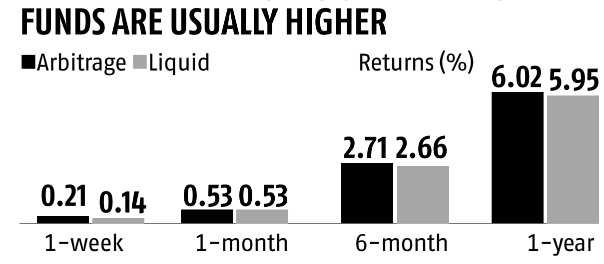
The primary reason for the pull-out of funds from this segment was that stock prices in the futures segment went into a discount, compared to the cash segment. Normally, the former trades at a premium to the latter. As a result, fund managers were unable to deploy profitably in arbitrage opportunities. Some like ICICI Prudential and Tata closed their funds to investments (for about seven-10 days in the third-fourth week of March). "If we had got substantial cash during that period, we would not have been able to deploy the money profitably," says Rahul Singh, chief investment manager-equities, Tata AMC.

Explaining the cause of contraction in the spread, Singh says: "The spread contracted because of sentiment. Even Nifty futures were trading at a discount to cash. When sentiment is negative, and there is so much uncertainty around, what can happen over the next week or month tends to be more intensive in the futures segment than in cash."

Spreads have normalised, with futures trading at a premium to cash (this has to be so, as the price of futures has to reflect the carry cost). Both ICICI Prudential and Tata AMC have reopened their arbitrage funds for investment.

Retail investors, who have some liquidity which they don't want to invest in the current volatile phase, may put it in arbitrage funds. "Over the long term, you can expect arbitrage funds to give at least 50 basis points higher return than liquid funds. Even if returns are similar to liquid funds, investors will still enjoy better post-tax returns in these funds," says Singh.

EVEN PRE-TAX RETURNS OF ARBITRAGE FUNDS ARE USUALLY HIGHER



Source: *mutualfundindia.com*

Prasunjit Mukherjee, CEO of Plexus Management Services, explains that while short-term capital gains from liquid funds are taxed at the investor's slab rate, an arbitrage fund is taxed at 15 per cent, which is advantageous to investors in a higher tax bracket. If arbitrage funds are held for over a year, the tax rate falls even lower to 10 per cent (for capital gains above ₹1 lakh).

Volatility in these funds may have subsided for now. But what if it recurs? Experts say the chances of making a loss are extremely low in these funds. "The fund manager locks in the returns in these funds. They buy the stock and short the future when the latter is trading at a premium. Intra-month volatility can exist. But as long as the fund manager holds these instruments till the end of the month, he earns the expected returns," says Kaustubh Belapurkar, director-manager research, Morningstar Investment Advisers India.

The key risk in this category, according to him, is that sometimes there are not enough opportunities to make these kinds of trades. "If the premium in the futures market is insignificant, compared to the spot market, returns can be lower in a particular month. But under normal market conditions, you can expect to make a reasonable return, equal to the cost of carry," he says.

Investors may use these funds to earn liquid-plus returns at very low risk, with equity-like taxation. "In liquid funds, returns accrue with greater consistency. In arbitrage funds, there can be greater variation in month-on-month returns. But if you hold them for nine-12 months, you should do better," says Belapurkar.

Global stocks jump on virus slowdown hopes

Stocks jumped on Monday as investors were encouraged by a slowdown in coronavirus-related deaths and new cases, while oil prices skidded after Saudi-Russian negotiations to cut output were delayed, keeping oversupply concerns alive.

Equity investors took solace as the death toll from the coronavirus slowed across major European nations, including France and Italy.

US stock futures rose more than 5 per cent, trading close to its upper limit after President Donald Trump expressed hope the country was seeing a "levelling off" of the coronavirus crisis.

London's FTSE was up 3.08 per cent, while Germany's DAX index was 5.77 per cent higher.

"The stabilisation we are seeing in the market today is welcomed but it is something really fragile," said Frank Benzimra, head of Asia equity strategy at Societe Generale.

OPTIMISM TAKES OVER

Index	Country	Apr 6, 2020	Change 1-D (%)
AMERICAS (22:00 IST)			
DOW JONES	US	22,247.92	5.68
S&P500	US	2,623.09	5.40
EUROPE (22:00 IST)			
EURO STOXX 50	Eurozone	2,795.97	4.99
FTSE 100	Britain	5,582.39	3.08
DAX	Germany	10,075.17	5.77
ASIA			
NIKKEI 225	Japan	18,576	4.24
KOSPI	South Korea	1,792	3.85
STI	Singapore	2,471	3.40
HANG SENG	Hong Kong	23,749	2.21

Source: Bloomberg
Compiled by *BS* Research Bureau

"With a very light calendar globally today, there is enough momentum to keep the equity rally running through the course of the day and also into European time," said Jeffrey Halley, senior market analyst, Asia Pacific, OANDA.

"All bets are off after that although I could see a couple of days of positive sentiment ahead, especially if those mortality rates keep falling."

Australia's benchmark index rose 4.33 per cent; Japan's Nikkei added 4.24 per cent after a slow start while South Korea's KOSPI index climbed 3.85 per cent. Hong Kong's Hang Seng index was 2.21 per cent higher. **REUTERS**

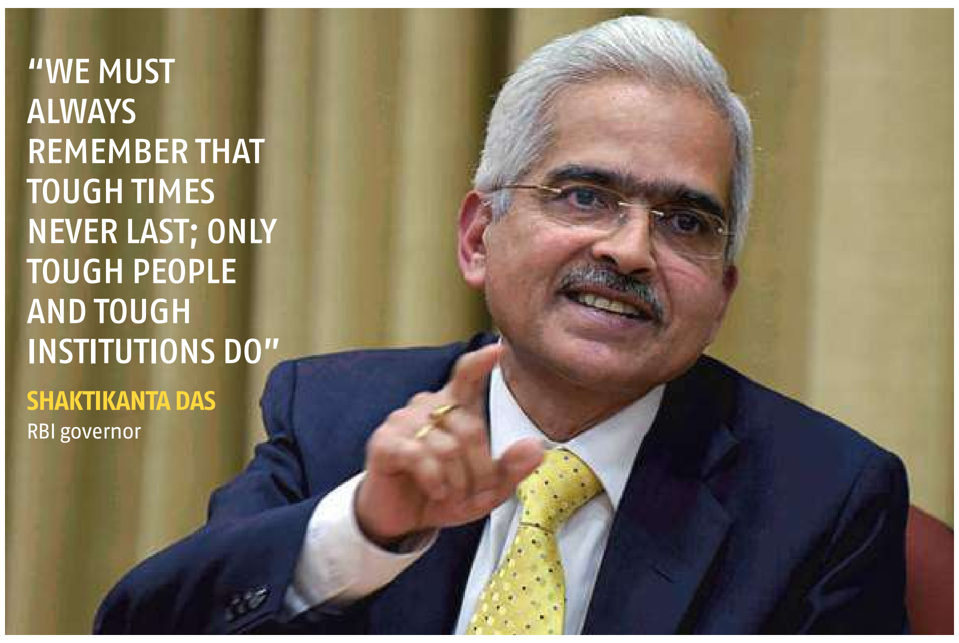
Sebi changes cut-off timings for mutual funds

The Securities and Exchange Board of India (Sebi) has allowed mutual funds (MFs) to change the cut-off timings for equity and debt schemes from 3 pm to 1 pm, and for liquid and overnight schemes to 12.30 pm from 1.30 pm. The move comes following the MF industry's request to Sebi to reduce the timings in light of the prevailing lockdown and the RBI's direction to reduce debt market timings for the same reason.

According to MF advisors, the move will make it difficult for equity scheme investors to time their fresh allocations or redemptions in an efficient manner. "Advancing cut-off times by two hours for equity schemes will be slightly inconvenient. But this is a temporary move in light of the lockdown," said Amol Joshi, founder, PlanRupee Investment Services. **JASH KRIPLANI**

Rush hour ahead

Piecemeal regulatory forbearance will not go far and tougher questions will be asked of both Mint Road and banks, reports **Raghu Mohan**



"We must always remember that tough times never last; only tough people and tough institutions do," said Reserve Bank of India (RBI) Governor Shaktikanta Das, when he announced a raft of measures to tackle the fallout of coronavirus (Covid-19) on the economy. It was a signal the days ahead will stretch both banks and Mint Road; so be prepared. Are we?

The asset quality of banks and the demands on their capital position due to its further deterioration must rank among the top concerns. The central bank has moved on the double to put in place a three-month moratorium on the servicing of term loans. But there has been no relook at income recognition and asset classification norms, the status of additional provisioning under the central bank's June 7 circular, and the road ahead under the Insolvency and Bankruptcy Code (IBC) in these stressful times.

Says Divyanshu Pandey, Partner at J Sagar Associates, "There is good reason to give a three-month break for the timelines under the June 7 circular. An idea has been floated that the IBC process itself may be suspended for six months. A like thought process may be good for the June 7 circular as well."

The merger of four sets of state-run banks, effective April 1, has led to a reset of a quarter of the banking system's assets, and there is nothing to suggest that these entities will not require fresh capital down the line – and we have a handle on only their pre-Covid asset quality as on date. This holds true for private banks as well and may call for a rethink of their current capital structures.

Notes Nikhil Shah, managing director, Alvarez & Marsal (India): "The Budget has not provided capital for state-run banks given the significant recapitalisation of over $30 billion provided between FY17 and FY19. Most businesses have been severely impacted operationally and financially, and those that were overleveraged or had liquidity constrained prior to the crisis, will have the most difficult time."

"My biggest worry is that the measures announced so far, commendable as they are (from a borrower's point of view), come with their share of operational difficulties," says a banker. Another lender, less charitable, is of the view that "it would have been better if the RBI had called for a videoconferencing of banks' chief executives so that some of the ground-level operational issues could have been handled better."

You have far too many moving parts.

The nuts and bolts

It has been gathered on good authority that it had been conveyed to the central bank that the insistence that the three-month breather "shall be contingent on lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from Covid-19," will not fly. Borrowers, especially micro, small- and medium-enterprises (MSMEs) service the interest part just in time before the 90-day non-performing asset (NPA) norm kicks in. It is in the nature of the business as payment cycles are lumpy to begin with. This is the case even for term-loans structured as equated monthly instalments at the time of extending the facility. Many borrowers who had genuinely intended to square their limits with banks by the close of FY20 are simply not in a position to do so because of the disruption during the month.

"To say that you should be able to pin-point stress to Covid-19 is not practical. The RBI could have simply said the account should have been 'standard' – that it is not an NPA, rather than insist it should have been 'regular' at all times, suggests a banker.

Banks, on their part, are being inundated by all kinds of requests and clarification from borrowers — big and small. Can it be creatively ensured that they are not treated as dud accounts, by sanctioning a fresh limit? Some queries on forbearance are far too complex for them to answer.

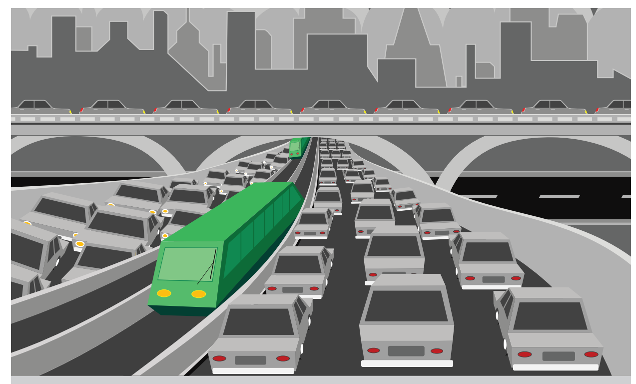
The Securities and Exchange Board of India (Sebi) has allowed credit rating agencies (CRAs) to relax temporarily their norms for recognition of default on rated instruments. This is to be applicable to all rated instruments, including term and working capital loans, debentures, fixed deposits, and commercial papers (CPs). Says Subodh Rai, Senior Director at CRISIL Ratings: "The move by Sebi and RBI will ease the operational challenge faced by borrowers in the immediate term. CRISIL will factor the moratorium, if any, subject to the relevant bank's policy and investor's inclination to allow moratorium."

But here is the tricky NPA classification bit, and it has nothing to do with the mere non-recognition of defaults by CRAs. If there is to be a default in the servicing of interest on debentures or money market instruments, will it mean that the term loans of the borrower are not to get a moratorium? Take a situation wherein a default on these instruments of a borrower had already happened say, in the month of February. If the term loans are to get a moratorium after all, what if the borrower were to divert funds to service the interest on debentures or CPs? This has implications for mutual funds, and also non-banking financial companies which are heavily dependent on bank lines for their funding.

"Debenture interest payments are not to be treated like term loans when it comes to its servicing. It brings its own share of challenges," notes Pandey. These aspects require greater clarity from the authorities, and calls for closer co-ordination between the central bank, Sebi and the Pension Fund Regulatory and Development Authority.

Now join the dots: the message that comes across is "we started well, but it could have been better". You simply can't have more of the same.

That said, Covid-19 will be leveraged to lobby for all manners of forbearance, and the sins of the past may well be forgotten. The central bank, in its Financial Stability Report of June 2013, quoted Edward J Kane to drive home a point: "Bankers understand the financial safety net as a politically enforceable implicit contract that they have negotiated with their national governments". And "lobbyists create a taxpayer 'put' by creating an excessive fear in the minds of regulators for letting banks' accounting decisions or health be called into question." Do mull it over; it's worth the grind.



ALL EYES ON THE ROAD

- A relook at banks' income recognition and asset classification norms
- An easing of the additional provisioning norm and incorporation of a three-month breather with regard to the trigger points of the central bank's June 7 circular
- Charting the path ahead under the Insolvency and Bankruptcy Code (IBC)
- Visibility on the fresh capital needs of state-run banks; handle only on their pre-Covid asset quality as on date
- Rethink on private banks' current capital structures
- Delinking the three-month moratorium on loans from lending institutions satisfying themselves that it is necessitated due to Covid-19
- A fresh forbearance package for micro, small and medium enterprises

Lockdown and rewiring banks

GUEST COLUMN

HIMANISH CHAUDHURI
Partner, Deloitte (India)

With the spread of Covid-19, governments have mandated lockdowns and social distancing, thereby creating a paradigm shift in the working of banks, from a traditional office space towards an agile, responsive and dynamic mode of operating.

While banks and financial institutions have invoked their existing business continuity plans (BCP), the current situation calls for a more adaptive and reactive BCP. Banks have invoked their BCPs for critical functions and that has helped them in keeping their branches and critical operations active. However, for areas such as support functions, IT vendors, auditors and on-going projects, the efforts to achieve seamless integration with the prevailing situation are still continuously evolving and they are working towards building a dynamic BCP.

Data management

Protection of data, with the migration to work-from-home outside the secure networks, through remote devices and open networks, brings its own challenges. Banks will be required to significantly augment their monitoring, and fraud prevention tools, for detection of unauthorised movement of data. And policies around data transfer between banks and external vendors need to be strengthened.

The challenge for teams that have functioned only on office premises or on the shop floor is the transition to remote working. For example, front-end functions have significantly reduced; however, the impact on client servicing has significantly increased. Assistance to existing clientele, quick response in implementing measures to combat the lockdown, while ensuring effective communication with customers, and re-establishment of contact have to be areas of focus. Another area which has been impacted are third-party vendors and their talent working on banks' premises. A changeover to move data to the vendor is a risk that needs to be evaluated by all banks.

> **Key areas which have been impacted are third-party vendors and their talent working on banks' premises. A changeover to move data to the vendor is a risk that needs to be evaluated by all banks**

Today's environment demands the need for remote working. However, once the novelty has worn off, the stress of its challenges will become more apparent, with the lack of boundaries, undefined roles and responsibilities, and social isolation, amongst others. Additionally, banks and financial institutions have limited work from home, and flexi-work policies and have not conducted rehearsals of such scenarios. The inadequate knowhow and competencies to migrate to collaborative tools are also key factors in the effective migration to the offsite working model in banks. Adaptive methods to deal with on-boarding new hires and exits of existing employees are also areas that need to be looked into by banks, to facilitate smooth transitions, in and out of a bank.

Risk management

With the Reserve Bank of India's (RBI's) relief packages, it is now crucial that banks adhere to ensure adequate implementation and due compliance and make the necessary tweaks within their systems and processes to accommodate the necessary changes. For example, the three-month moratorium period for repayment of loans will require change in computation logics, change in asset classification and modifications to the customer statement of accounts, among others. Adequate tracking, testing, and collaboration with vendors needs to be done, to incorporate such changes.

Vulnerabilities in cyber risk have not been adequately envisaged until lately by banks and financial institutions. There has been a rise in cybercrimes, and ransomwares — for example, a ransomware called "Coronavirus", steals and encrypts data, whereas another newer ransomware, "CovidLock", locks a victim's phone. Another key aspect to be considered is the continuing risk given the uncertainty around the situation.

NEXT TO LITTLE IN THE WORKS

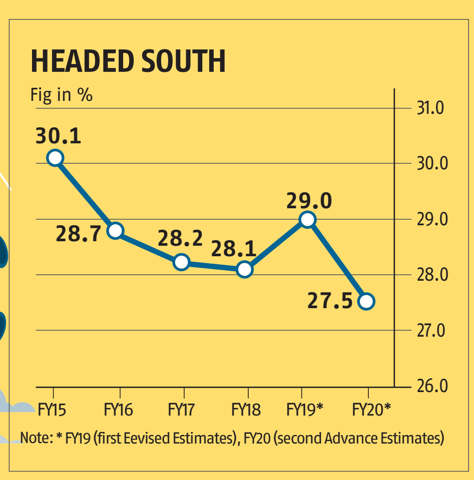
The investment pipeline in the economy is choked with four out of the six key indicators – investment rate, bank credit offtake, industrial production of capital goods, and new investment projects showing deterioration while investment intensions and market borrowings have shown some signs of resilience. These parameters are likely to see a downward revision with coronavirus – the impact of which will play out in the coming months.

Gross fixed capital formation (GFCF) — an indicator of investment demand — as a percentage of GDP, fell to nearly two-decade low. It is estimated at 27.5 per cent of GDP as per the second advance estimate for FY20 – lower by 1.5 per cent a year ago. GFCF is estimated to contract by minus 0.6 per cent for the first time in the past 17 years. This number may be revised downwards as the year-end phenomenon of increasing investment in March will not materialise.

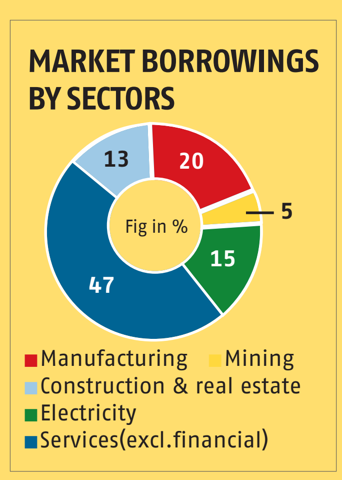
KEY INVESTMENT INDICATORS

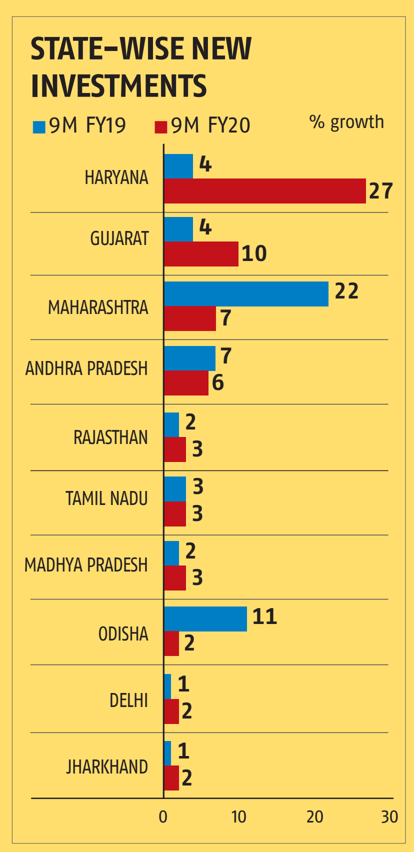
Indicator	Period	Movement
Investment rate (GFCF as % of GDP)	FY20 (Est.)	↓
Bank credit	FY20	↓
Capital goods	FY20 (Apr – Jan)	↓
Investment intentions- filed	9M FY20	↑
Corporates' market borrowings	FY20 (Apr – Feb)	↑
New investment projects	9M FY20	↓

Source: CARE Ratings



Note: * FY19 (first Eevised Estimates), FY20 (second Advance Estimates)





'Ours is the open-banking model of the times'

PayNearby has scaled up the business correspondent (BC) model using technology to build a hyperlocal fintech network. It has roped in retailers at the first mile to offer both digital financial and non-financial services to the masses. **ANAND KUMAR BAJAJ**, its managing director & chief executive officer, believes he can roll out this model globally, and plans to raise $50 million through equity dilution in what is inherently a "people's business". Bajaj spoke to ***Raghu Mohan***. Edited excerpts:

Q&A

ANAND KUMAR BAJAJ
Managing director & chief executive officer, PayNearby

How is version 2.0 of the business correspondent model different?

It has evolved from a dedicated one-bank model to serving customers of any bank with interoperability; it is bank-agnostic now. The relaxations given by the Reserve Bank of India (RBI) allow us to go beyond 30 kms from the sponsor bank's branch to harness the power of digital for the benefit of our customers. A retail shop in any village can be on-boarded by us with the help of digital due-diligence in addition to their physical verification and training. We are working with the Bill and Melinda Gates Foundation to have BCs within every five kms radius in the country and are sharing our latitude-longitude locations accordingly.

You can appreciate how critical BCs and bank mitras are, especially during the current stressful period arising from coronavirus, to finance minister, Nirmala Sitharaman's statement that there are to be no restrictions in their movements. Ours is truly the 'open banking' model of the times -- home-grown at that.

In the past, stickiness of BCs had cropped up as an issue. How has this aspect been tackled?

Just like in the FMCG sector, the first and foremost requirement is to maintain the quality of services, get the pricing right and have a customer-centric approach. A near 100 per cent uptime is a must as customers need banking 24/7 and they should not be deprived of this requirement. Automation helps in scale and hence, we have automated reconciliations, refunds and fee-management, among others.

Our endeavour is to ensure the success and growth of our retailers, and we employ advanced data-science techniques to help them grow their businesses. Retailers who work as BC agents, are called the 'digital pradhans' of their areas. This lends credibility to the already existing trust they have with our customers. Our motto is *'Zidd aage badhne ki'*, and the effort has always been to touch the lives of the retail community positively. They can create a better life for themselves and their families through this partnership. Stickiness is an outcome of trust, empathy and continuous good work.

A key piece in you model is the cash-out part. Now, what if the kiranawalas were to run out of, or do not have cash?

Nandan Nilekani had asked me this question when we presented to him during the deliberations of the Committee for Deepening of Digital Payments last year. You see, even automated teller machines (ATMs) go out of cash; shops run out of stock. So, customers go to the next shop -- it can't be that all shops are out of cash at the same time. Today, alternative approaches to businesses are shut and what is working well are these retail outlets – you present your thumb impression and take your money (effectively, cards with no PIN). Kirana stores have persevered because people are using them. Our model is about taking high-end technology to the bottom of the pyramid in the truest sense.

How do you take care of reputational risks – of the banks involved and that of PayNearby?

Reputation is important even when you are buying a packet of wheat. But then, you trust the neighbourhood retailer who has been around for years. We sort of "sachetise" trust and dispense it through local partners. We have joined hands with the Retailers Association's Skill Council of India to reskill 2 million retailers across the country. In a pilot project last year, we certified 24,000 retailers under the national flagship skilling initiative Pradhan Mantri Kaushal Vikas Yojana. We have been working with retailers to make them partners for financial inclusion in the first mile *'Har Dukaan Digital Pradhan'*.

How have you funded the company?

We took ₹15 crore in seed-funding in May 2016 and have since doubled our net worth. With a presence in 17,000 PIN codes with 800,000 retailers, there is an opportunity to register and activate more of them. We feel proud that PayNearby's services have been called in for national duty of relaying government grants to millions of citizen through our BC channel. To shoulder the government's load in dispensing direct benefit transfers is a very responsible feeling — like soldiers without uniform. This accentuates credibility of our work. We hope to raise our service standards and emerge as a national asset.

Funding in current times is obviously required and we are looking at strengthening our teams, visibility, technology and reach. We are planning to raise $50 million through equity. It will be utilised for non-banking financial services and to scale up our engineering work with use of modern technologies like artificial intelligence, machine learning and location sensing.

> "STICKINESS IS AN OUTCOME OF TRUST, EMPATHY AND CONTINUOUS GOOD WORK. OUR MODEL IS ABOUT TAKING HIGH-END TECHNOLOGY TO THE BOTTOM OF THE PYRAMID IN THE TRUEST SENSE"

Anxiety trips the consumption grid

India among the top 3 nervous nations in the world; consumers expect long-term spending to be hit, want brands to spread optimism and cheer: Kantar

ARUNDHUTI DASGUPTA
Mumbai, 6 April

A worried nation has been pushed deeper into the sinkhole of anxiety and panic in the aftermath of Covid-19 finds a survey released by Kantar on Monday. While consumer sentiment was already shaky, with fears of an economic crisis looming large over the country, the onslaught of the virus and the global lock down has pushed consumers into a state of high anxiety and in the process, thrown up a huge challenge for brands looking to claw their way back into the consumption basket when things return to normalcy.

"From all the data that I have seen, local and global, India will have a rockier recovery in the post Covid-19 world," says Soumya Mohanty, chief client officer, South Asia Insights Division, Kantar. For the majority of consumers surveyed, in tier-1 and tier-2 cities, the present situation has thrown up an unimagined challenge and forced a rethink on lifestyle choices.

The survey showed that while the global pandemic has hit consumption patterns in India in much the same way as it has elsewhere, with nothing except bare essentials and hygiene products being purchased under lock down, the road back will be a very different one. This is because there is a big gap between what consumers believe, say and do in the region.

The report noted that the optimistic outlook of a quick recovery is offset by a sense of pessimism that has people preparing for the worst: a future of acute scarcity. Even though consumers said that they believe that this is a temporary blip in the course of nations, their purchase behavior indicates extremely high levels of panic. Indians (in a certain category of affluence) are stocking up more than others in their segment in other parts of the world. Is this because they expect things to be worse than what is being told to them? On that there is no clarity, but Indian consumers are, as Mohanty says, attitudinally optimistic but behaviourally not so much.

So while economies across the world will see consumer sentiment bounce back, but in India, one can expect recovery to come with a slower spring in its step. Data also shows that Indians are among the most likely to trade down, opting for cheaper brands or private labels, over established global names.

More than half (53 per cent) of those surveyed said that after the pandemic, they will pay more attention to prices/cost and around 40 per cent said that they would not continue buying the same brands as they did earlier.

What must brands do in such a situation? The survey indicates that Indian consumers want brands to be a part of the fight back against the virus. Around 27 per cent of those surveyed that they want advertisers to attack the crisis and demonstrate that it can be fought and this is the only country among all those surveyed that believes advertisements should offer a positive perspective.

THE LONG ARM OF THE VIRUS

- Edgy and anxious India is among the top 3 most nervous nations; **57%** Indians said the situation concerned them deeply, coming in third after China (**63%**) and Brazil (**60%**)
- More people are concerned about the daily disruption of life (45%) than about health (31%) at this time, much like the rest of the world
- Indian consumers say they are optimistic, but top the list of panicked buyers, **51%** consumers said they were over-stocking because they feared the situation would worsen, as compared to **33%** American and **22%** British consumers
- After the lockdown is lifted, sectors that are likely to be worst hit are online food delivery and luxury goods, but increased focus on health and hygiene will see a continued spike in sanitizers and cleaning agents
- More Indian consumers are likely to trade down, in terms of the brands they purchase

Source: Kantar survey on how Covid-19 is influencing consumer behavior in tier-1 and tier-2 towns

THE ADVERTISING NARRATIVE

Consumers expect that advertisers should:

- Show how they can be helpful in the new everyday life (**79%**)
- Inform customers about their efforts to face the situation (**77%**)
- Offer a positive perspective (**74%**)
- Not exploit coronavirus to promote a brand (**71%**)

FROM PAGE 1

Bajaj Fin loses...

What this effectively means is that the early months of FY21 may be under severe stress if the Q4 is anything to go by.

Bajaj Finance published some key performance metrics for Q4 on Monday. The new customer addition and the new loans disbursed were the weakest since FY15 — even worse than the demonetisation-hit quarters of FY17. New customers acquired was down 22.8 per cent at 1.9 million, as compared to the December 2019 quarter's 2.46 million figure. It was also less than 1.92 million in the year-ago quarter. Likewise, new loans booked fell 22.7 per cent sequentially to 6 million; this metric was up just 3.5 per cent YoY. While the reasonable estimation of business impact because of the Covid-19 pandemic was well-received by analysts, they feel Bajaj Finance's stock may come under pressure when trade restarts on Tuesday (the markets were closed on Monday on the occasion of Mahavir Jayanti).

Apart from loan growth, the other worrisome aspect is a possible asset quality deterioration. Besides, the company is assessing the adequacy of provisioning for identified large accounts and will consider enhancing provisions for these accounts. It is also considering one-time accelerated provisioning for Covid-19 to further strengthen its provisioning standards.

Covid-19-related asset quality pressures may also lead to one-time accelerated provisioning. Both factors together, investors should brace for an increase of 40-50 per cent in the credit cost computed on FY20's numbers, though in the worst case credit cost could increase by 80-90 per cent. The credit cost in Q3 stood at 175 basis points (bps), which works to a full-year extrapolated number of 233 bps. However, analysts say one should wait for actuals as the impact of the recently granted moratorium may impair the repayment discipline of borrowers. "Originally, people thought it (moratorium) was a loan waiver," Jain explained, though borrowers are now informed that it isn't so. He said the damage has been done and its impact will be known in June or July.

To counter the business impact, the company will keep a check on its fixed operating costs. Accordingly, hiring, travel, and branch expansion have been put on hold, leading to a 7-8 per cent saving on costs. Prolonged stress could lead to further cost cutting. Recovery in operations hinges on when economic activities restart in the country.

For Jain, the immediate focus would be on maintaining sufficient liquidity, with consolidated liquidity surplus at ₹15,800 crore as of March 31, 2020. Commercial papers worth around ₹2,000 crore are maturing in the next three months for Bajaj Finance. "We will continue to carry excess liquidity on our books which will result in the extra cost of carry for the liquidity," Jain added, hinting at a near-term compression in profitability or net interest margin.

Customer franchise as on March 31, 2020, stood at 42.6 million, as compared to 34.5 million as on March 31, 2019. Deposit book stood at ₹21,400 crore as on March 31, 2020, as against ₹13,193 crore a year ago, with the mix of retail and corporate books at 72:28.

Bajaj Finance said it remains well-capitalised with the capital adequacy ratio of approximately 25 per cent as on March 31.

The rise & rise...

MNCs are among the biggest value creators for shareholders even though they remain minnows in terms of revenues, profits and assets (or investments). For example, MNCs accounted for just 3 per cent of the assets of all listed non-financial companies, 7.5 per cent of revenues, and 13.5 per cent of the combined net profits of all listed non-financial companies during FY19.

The analysis is based on a common sample of 898 companies across sectors that are part of the BSE 500, BSE MidCap, and BSE SmallCap indices. Even in the market decline since March last year, the combined m-cap of MNC stocks is down just 5.5 per cent against a 30 per cent decline of the entire sample. In the same period, family-owned firms are down 29 per cent while public-sector undertakings are down 43.6 per cent. Institutionally-owned firms have lost 35 per cent of their m-cap in the period.

The leader of the MNC pack — Hindustan Unilever — is now the country's third-largest company in terms of m-cap, while Nestle India is the 12th largest, ahead of biggies such as Larsen & Toubro, Wipro, and Sun Pharma.

Investors also like MNCs for their debt-free balance sheet and conservative growth plans. This translates into fewer assets and liabilities on their books and a fair amount of cash reserves to see them through the economic downturn.

Only 5 per cent of MNCs' assets were funded through debt in FY19, against an average of 43 per cent for all listed non-financial companies. The 72 non-financial MNCs in the Business Standard sample had a combined debt of just ₹11,600 crore at the end of FY19, backed by an equity or net worth of nearly ₹2 trillion, translating into a gross debt-to-equity ratio of 0.06. In comparison, all listed non-financial companies were sitting on debt worth ₹33 trillion at the end of FY19 and net worth of ₹37.3 trillion, translating into gross debt-to-equity ratio of 0.9. All these translate into premium valuations for multinational stocks in their respective industries. A typical MNC is currently valued at 38 times its trailing 12-month earnings per share against an average earnings multiple of 19.7 times for all companies.

Lawmakers take...

Randeep Singh Surjewala, spokesman for the Congress, said while his party supported the salary cuts, suspending MPLAD funds was a disservice to the constituents and would undermine the functions of MPs.

R K Sinha of the BJP, elected from Bihar, has spent all his MPLAD funds. As a Rajya Sabha MP, who does not have a specific constituency, he is entitled to do that. He has completed all his instalments (the last contribution was to the PM's relief fund) and no money is pending. The suspension of funds , he said, will not affect him materially. "If the PM has decided to commandeer it in this time of crisis, he is perfectly within his rights as the Commander in Chief of an army, which is fighting a war, to do so."

Congressman Rajeev Gowda's term in the RS ends in June. The last tranche of his MPLAD contribution, he said, was to have been made to a local government-owned hospital in Bengaluru, ironically, to help set up a Covid-19 testing facility. "I am trying to understand whether the money will still be available for this purpose," he said.

Congress MP Jairam Ramesh disagreed with his party's line on MPLAD. "I welcome the decision on MPLAD. I have been arguing for long that the ₹7,000 crore given to MPs and MLAs annually for development works should be used as a corpus for state funding of elections."

With inputs from Archis Mohan

PM suggests graded lifting of lockdown

Chhattisgarh CM Bhupesh Baghel has written to the PM and other states have also conveyed to him that any decisions on inter-state transit be taken after concrete measures are put in place.

In case the lockdown is extended, the government is likely to attribute the delay in lifting it to the efforts that are currently on to trace those who participated in the Tablighi Jamaat event in New Delhi's Nizamuddin. The spread because of the gathering was not factored in when the PM announced the lockdown, and it was expected the number of cases would have started declining by mid-April, sources said.

The PM told his ministers that the government "must work on war-footing to mitigate" the economic impact of the lockdown. He instructed all ministries to prepare "business continuity plans", identify 10 key decisions and 10 priority areas of focus for their respective ministries once the lockdown ends. He said India should reduce its dependence on other countries, and work on promoting "Make in India".

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BS SUDOKU # 3018

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HOW TO PLAY

Fill in the grid so that every row, every column and every 3x3 box contains the digits 1 to 9

The Epidemic of 2020

Setting course for a V-shaped recovery

It's time for thoughtful decisions through 2020 and 2021, where the desired outcome is one where private investment in 2025 is superior to the value seen in 2011 in real terms

VIJAY KELKAR & AJAY SHAH

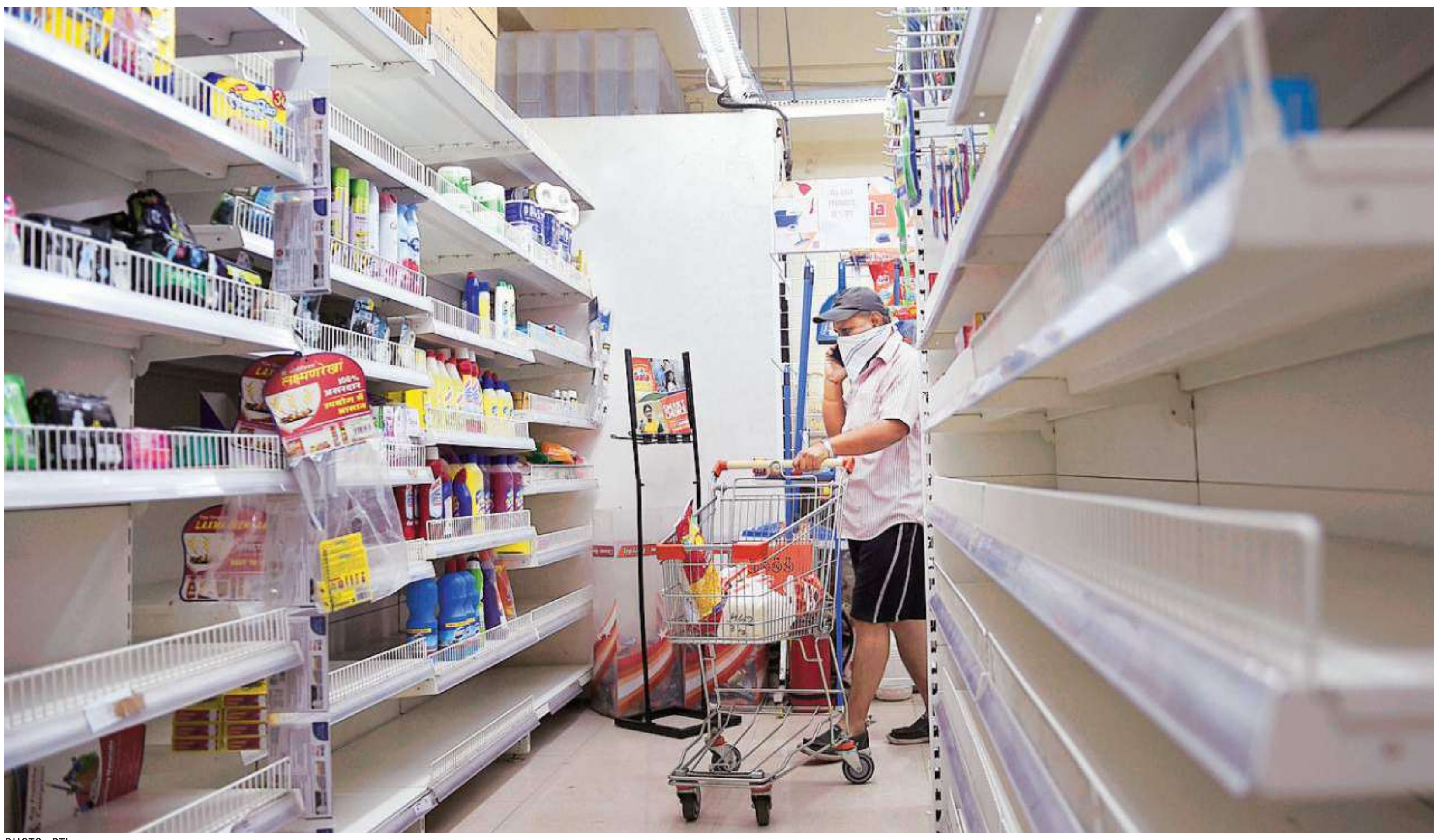


PHOTO: PTI

Epidemics can be terrifying. In 1918, the 'Bombay fever' hit India, and killed about 5per cent of the population. While Covid-19 is surely much milder than this, it is likely to become the biggest epidemic of the following 102 years. Shocks like this are a test of state capacity. The Indian state, at all the three levels of government, has to rise to new levels of capability in devising and executing policy initiatives. In responding to this pandemic, the problems of health, macroeconomics and finance are intricately interwoven. In this article, we synthesise a view of the road ahead for policy, combining knowledge from the three disciplines.

The immediate impact of the lockdown

The market economy involves remarkably complex interconnections between various industries; every "essential" output requires myriad "non-essential" inputs. For example, making face masks or ventilators requires a complex array of engineering inputs. Production in many factories, producing both "essential" and "non-essential" things, may get disrupted in coming days. In coming days, inventories will get depleted, supply chains will be broken, and then production will be disrupted. About a quarter of the large firms may find it hard to deal with a month without revenue.

The supply chain of food is particularly important. The availability of certain 'essential' goods (e.g. vegetables or milk) could be a problem at certain locations. There is the danger of regressing into the 1960s and 1970s in terms of attacks upon 'profiteering' and 'hoarding'.

In this environment, many workers and firms will pull back on expenditures, thus giving a demand shock to the economy.

The supply chain disruption and the demand shock will interact and give a decline in GDP. This shock to income will harm the health of the people, as has been extensively demonstrated by research on macroeconomic and financial crises.

Play for the full 2020 and 2021

We should not view Covid-19 as a three-week problem. After the lockdown ends, there will still be a large number of infected persons in India. Just as the Lehman default of September 2008 cast a shadow upon 2009 and 2010, this problem is going to be with us through 2020 and 2021.

Everyone — policy makers, firms, health care producers, individuals — needs to develop the rhythm of a new normal where there is greater social distancing, where many are getting sick, where there is considerable difficulty in the macroeconomy and the financial system. Exceptional behaviour will generate fatigue, and is not sustainable. All of us need to find a new normal, a sustainable approach to livelihood and lifestyle. We cannot just hold our breath; we cannot just do firefighting.

The most important question that we should be asking today in terms of the economy is: *How to set the stage for a V shaped recovery?* We should think about every policy action today from the viewpoint of whether this feeds into an L shaped future versus a V shaped future on the horizon of calendar 2020 and 2021.

Finding the right balance

The optimal degree of social distancing comes from a tradeoff between the health impacts of Covid-19 versus the health and welfare impact of social distancing.

We see a role for a sustained reduction of activities where there is a high public health hazard and relatively low importance to livelihoods. Examples of these include places of worship, pubs, the Republic Day parade, etc. The next two years look bad for the remarkable festivals of India, ranging from the Pushkar fair and Durga puja, to the Jaipur Literature Festival and the Kochi-Muziris Biennale. The precise design of social distancing will have to be local, reflecting a deep insight into the health impact of activities, the present threat assessment, and the economic impact. These decisions should draw on intellectual capacity all across India, but get made in a decentralised way.

THIS IS A GOOD TIME TO LIBERALISE CAPITAL CONTROLS, AND TO REMOVE BARRIERS FACED BY NON-PROFITS, SO AS TO FOSTER THE INFLOW OF FINANCIAL AND PHILANTHROPIC CAPITAL

Covid-19 is a relatively mild disease for the young. The case fatality rate of Covid-19 is low for persons below the age of 50. Once a person recovers fully from the disease, immunity is obtained for life, and the count of such privileged persons will grow rapidly. The elderly, who have not yet contracted the disease, need to be protected from the risk of infection.

This suggests a strategy for getting back to normalcy in the economy. We need to get the young back to work, and to emphasise the immune persons for the riskiest roles. Caution in participating in the economy should be concentrated in the at-risk population, i.e. the elderly. We also need to worry about young people taking the disease back to elderly persons that they live with.

In the overall Indian population, using data for May-Aug 2019, 81 per cent are below age 50. In the labour force, 75 per cent are below age 50. We can thus make a lot of progress, going from a complete lockdown to a framework where persons above age 50 exercise caution, while the remainder get the economy rolling again. In the class of women in the age group from 16 to 50, at present, 8.8 per cent are working: there is ample spare capacity which can come into the workforce. The Indian situation diverges considerably from most advanced countries, and we should reflect upon our situation from first principles.

Public health is the need of the hour

The old fashioned public health machinery of trace - test - isolate - treat is required on scale. Public health workers have to trace all contacts of infected persons. Large scale testing has to be done. Persons who test positive have to be isolated, as they communicate the disease even though 95 per cent of them will bounce back with few symptoms. The remaining 5 per cent of the infected persons require treatment, and again, the bulk of these will recover fully. We in India start with low state capacity in public health. Within a few weeks, we have to establish a great increase in the quantities and the quality of this work.

The marginal gain from an extreme lockdown is greater when there is a large scale infection, which is not where India is today. The best argument in favour of this lockdown lies in the idea that these three weeks are being used to put health policy into motion, to get to quantity and quality in tracing - testing - isolating - treating. The timelines that we face, in improving state capacity for public health in India, are daunting. As the head of the Italian Protezione Civile (the Italian equivalent of NDMA) put it, *The virus is faster than our bureaucracy*.

In this public health problem, there is important variation across states. Some states are faring better (Kerala, Tamil Nadu, Maharashtra, West Bengal). We should aspire to get these states up to the quality of outcomes seen in (say) South Korea. There is a need to urgently improve state capacity in the North (where one advantage is a younger population).

The key requirement on this path is engaging with the private sector. Most of the testing capacity, ICU capacity and ventilators in India are found in private organisations. PPP contracts are required, through which public funding is linked up to private production of testing and treating. Purchasing should be done through contracting mechanisms which buy real options from private firms, i.e. create incentives for firms to scale up capacity, even if a future surge of purchase does not arise.

If we are lucky, the epidemic will spread slowly in the temperature and sunlight of the summer, which will buy time till the autumn. This time should be used to build capabilities in tracing - treating - isolating - treating. If we are lucky, scientific progress will come about by then on a vaccine, a cure or a prophylactic. We should be fully ready to harness the Indian drugs industry to manufacture these on scale, and have the health system capability to implement these all over the country.

1% coercion and 99% persuasion

The Indian state commands low trust in the eyes of the citizenry. This is not new. In 1897, the lieutenant governor of Bengal remarked that *many of the natives would rather die of the plague than allow themselves to be segregated or removed*.

When public health works well, it relies on 1 per cent coercion and 99 per cent persuasion. If a more coercive approach is used, civil servants lose the trust of the populace. Once the state gets into an antagonistic stance, this harms all public health activities. Social distancing, testing, isolation, immunisation, prophylactics, gathering data: all these require the trust of the public.

THERE IS A SHORTAGE, WORLDWIDE, OF MEDICAL SUPPLIES. IT'S A HUGE OPPORTUNITY FOR INDIAN SKILL-INTENSIVE MANUFACTURING TO ENGAGE IN FRUGAL INNOVATION

For achieving this trust, policy work in public health needs to achieve democratic legitimacy. This is done through expertise, transparency, consultation, a culture of service rather than coercion, of getting 99 per cent of the required change through persuasion.

In the international literature, there is a well-established fact: Liberal democracies fare better when faced with epidemics. As an example, we see how technocratic system building coupled with strong state coercion in China failed. As an example, individuals in India are reticent in their health records going to the state, given the lack protection against use of this data by the state. Our best weaponry to fight the virus is individual agency, production and release of sound information, intellectual debate, discussion, criticism, and checks and balances.

Trust in the state, and social solidarity, are great strengths when facing an epidemic. One of the political economy factors that will positively help the growth outcome would be to ensure high levels of social harmony and national solidarity.

The Epidemic Diseases Act, 1897, is a colonial law which lacks checks and balances. We should eschew the toolkit of our colonial masters. We should renew our vows to the foundations of civil liberties, to the basic structure of the Constitution of India.

Exceptional times call for harnessing markets

The first instinct of the Indian state is to resort to command-and-control: the toolkit of bans, price controls, barriers to cross-border activities, orders to private persons. The embarrassment that the authorities feel when engaged in illiberal activities is diminished when faced with a terrorist attack or an epidemic. There is the temptation of engaging in central planning, of government directing myriad activities in the economy, trying to solve the coordination failures which have suddenly arisen.

Even in previous decades, when the Indian economy was much smaller and simpler, and when the institutional and intellectual infrastructure for central planning was much stronger, such command and control generally failed. In the present situation, the economy is much more complex, and it is impossible for the government to create the organisational capability that can see the economy, solve optimisations, and direct private persons on how to organise production.

An increase in the price of masks is the way in which a market economy sends out a call to arms, asking a lot of private persons to contemplate surging the production of masks. If the coercive power of the state is used to impose price controls, we lose this supply response. Policy makers will become more effective by going with the grain of the price system -- e.g. putting out tenders for 20 firms to deliver a million masks each -- rather than fighting the basic instincts of rational human beings. These firms will solve problems of raw materials, logistics and production, in ways that the government cannot.

While the complex self-organising system, of the market economy, has been disrupted in some aspects, the best path lies in letting the self-interest of firms figure out how to heal supply chains and business relationships. The private sector will organically negotiate its way, in the quest for profit, to solve the problems that it sees on the field. The self-organising system is the best at obtaining information, arriving at mutually beneficial bargains, and organising production.

The need of the hour in health care is harnessing the self-interest of the private sector in testing and health care. The private sector is the only path to large increases in output, and to real options for a surge scenario. Commandeering the private sector, or forcing price limits, will backfire. A more respectful approach, which invites the private sector to voluntarily enter into contracts, will work better. This requires policy makers to design sound contracts and put them out for bidding by self-interested firms.

The problems of macroeconomic and financial policy

1 The macro/finance situation is daunting. Covid-19 and the lockdown are upon us. The world economy has shrunk. It could get worse; e.g. there could be a large scale return of Indian workers abroad, or a fresh bout of stress in Indian finance.

2 The overarching theme of the macroeconomic and financial policy response should be: To set the stage for a V shaped recovery and not an L shaped one. This requires doing responsible economic policy. There are always people saying *Now that this huge crisis is here, we have to throw out the rule book, and do all kinds of expedient things*. Such expedient actions will, however, come back to haunt us when the virus is out of the way.

3 There is low room for manoeuvre in India on macro policy, as we start from a large effective fiscal deficit and a feeble monetary policy transmission. For a contrasting example, Germany started out from a long history of prudent fiscal policy; this gave the space for a 10 per cent of GDP fiscal expansion in response to Covid-19. The fiscal institutions of India are not organised to normally run primary surpluses, and borrow from voluntary lenders, so as to support a large deficit when faced with a crisis. Similarly, in response to the decline in forecasted inflation, RBI should cut rates, but this will have a low impact upon the economy given the problems of financial economic policy. We should thus set low aspirations for what macro policy can do.

4 Some balance-sheet based lenders (banks and NBFCs) are healthy, and this is a time for countercyclical movement in their leverage. But many lenders are not healthy, and will face greater stress in the downturn.

5 The private sector is worried about the extent to which policy makers will do the right thing. In the tension between rules and discretion, the Indian state has often exhibited a low priority for rules. Going further down this route will increase policy uncertainty and harm the recovery. When we put state actions about the epidemic — from macro policy to rules about social distancing — on a predictable and rule of law foundation, this reduces uncertainty and fosters private investment.

6 There is a lot to learn from the macroeconomic and financial policy responses that India adopted to the 2008 crisis. We see calls to close down or restrict the working of financial markets and speculative trading. As with 2008, the right path lies in not interfering with the working of markets.

When actions by a regulator reduce the liquidity of a financial market, this makes the market more vulnerable to large price changes when faced with small orders. This gives greater volatility. In an uncertain time, economic agents require confidence in the availability of deep and liquid markets (should they require to trade) and confidence in the observed price (that it comes out of a deep and liquid market). If anything, at an exceptional time like this, what is needed is an array of financial economic policy reforms which foster the liquidity of the market.

7 Monetary policy has been nicely tied down to deliver a 4 per cent CPI inflation target. This is a source of stability. The MPC should stay the course: forecast inflation, and deliver on the 4 per cent inflation target. There may be a surge in inflation in the next month or two, but monetary policy works on horizons like 12-18 months, and should see through the short-run supply dislocation. If the government reneges on the rules-based framework of the MPC and the inflation target, there will be an upsurge of uncertainty, and it may take a decade for private persons to trust monetary policy again.

8 As with 2008, exchange rate flexibility is a key tool for adjustment. When there is a local shock, the market exchange rate depreciates, and this bolsters the tradeables sector. The good work of macro policy in mature market economies worldwide will generate a positive impact upon the Indian tradeables sector, as long as India eschews exchange rate management.

9 This is a good time to liberalise capital controls, and to remove barriers faced by non-profits, so as to foster the inflow of financial and philanthropic capital. There is a need to analyse barriers to operating in India, as seen from outside, and address all the constraints. As an example, in addition to the overt capital controls operated by RBI and MOF, there are implicit capital controls operated by agencies such as the Income Tax Department. The task of liberalisation is to address the full landscape. Such liberalisation will help address capital constraints, improve the policy process, and help some affected persons.

WE SHOULD NOT FEEL THE PEER PRESSURE OF MATCHING THE POLICY ACTIONS OF FIRST WORLD COUNTRIES. WHAT IS WISE AND OPTIMAL FOR THEM IS OFTEN INCORRECT FOR US

10 What can fiscal policy do?

1. We start from a daunting fiscal deficit before the epidemic. Automatic stabilisers will be in action (e.g. when profits go down, corporate income tax collections will go down) so the fiscal deficit will expand automatically. There is little room for discretionary actions that enlarge the fiscal deficit.

2. Expanded resourcing into public health is a good use of fiscal resources (if the expenditure process is able to translate money into outcomes). As an example, a testing voucher of ₹2000 per person and 0.5 million tests per day comes to a cost of ₹1 billion per day.

3. There are many cash transfer programs which can be utilised to send money to poor people.

4. The fiscal space for health and subsidy expenditures should be created by reducing expenditures on inefficient subsidy programs, e.g. the fertiliser subsidy.

5. There is fiscal space for state governments as they are below the deficit ceilings associated with fiscal responsibility rules.

11 There is one interesting possibility which kills many birds with one stone: a linked reform of the GST and of petroleum pricing. The opportunity for this emerges because oil is at $26 per barrel:

1. There is the long standing problem of moving the GST into a single low rate with a universal base.

2. There is the long standing problem of removing government involvement in the pricing of petroleum products.

3. There is an immediate need to get public money to the households of India, particularly the more vulnerable population. For these households, direct and indirect expenditure on petroleum products is a large part of their consumption basket.

4. These three objectives can be achieved by merging petroleum products and coal into the GST and changing the GST into a low single rate. Alongside this, an excise on petroleum products and coal is required, which is a carbon tax. Government involvement in the price of petroleum products should simultaneously be discontinued.

This reform gets many things right: In the short run, it enlarges the fiscal deficit while getting money into the hands of the more vulnerable households of India, who would see a direct decline in the price of kerosene or LPG or other petroleum products, and an indirect decline in the prices of all goods owing to reduced costs of transportation. At the same time, it is a long-delayed structural reform (single rate GST, low rate, enlarged base for GST) that marks a step towards building India into a mature market economy. It enhances private confidence and contributes to a V shaped recovery.

The fresh urgency of research

The whole world is searching for tests, vaccines, cures and prophylactics. There is a shortage, worldwide, of medical supplies such as personal protective equipment, and ventilators. This is a huge opportunity for Indian skill-intensive manufacturing to engage in frugal innovation, and serve the world. India has been at the global frontier in vaccines before. Some of the innovation in Covid-19 testing that we see today has come out of CSIR's initiatives, of working with the private sector. Large contracts by the state can help create economies of scale and push open standards, as was done by the UIDAI in its early years.

An intellectual community is required in India, that is able to parse global knowledge (in science, biomedical engineering, health policy, macroeconomics and finance), and adapt it for the unique features of Indian conditions. In addition, there are numerous research questions that are of paramount importance to India, which might not be a priority for researchers and funders elsewhere.

1 How does SARS-Cov-2 transmit in the Indian heat, light and humidity?

2 What is the role of the built environment? If doors and windows were opened, and table fans setup to increase air flow, would it help?

3 How do the SARS-Cov-2 strains present in India fare, when faced with the genetic characteristics and the knowledge of the immune system in India?

4 There is some early evidence that Covid-19 can ride on solid particulate matter in the air. This could create a lethal transmission mechanism in North India, when the winter comes. There is an urgent need to develop the evidence on this question, and (if required) plan the least-coercion pathways to ensure that air quality in North India will do better than usual in late 2020.

5 What are the optimal protocols for health care of Covid-19 patients, that are feasible for scaling up under Indian conditions? How to obtain dramatic cost reductions in all aspects of public health and health care connected with Covid-19?

6 There is a lot of work going on in the global epidemiology community, and can be brought to the Indian data. However, there are important concerns about the imprecision of the Indian data. How can priors about the measurement process be brought into the modelling process? How can Covid-19 be measured through surveys and panel data?

7 How do we replace the Epidemic Diseases Act, 1897, by something that is grounded in modern Indian constitutionalism, with checks and balances?

8 Why does the public health recipe of trace - test - isolate - treat work poorly in India? What is the institutional change required in order to obtain better performance in all these elements?

9 How can health policy gear up for a possible surge in health care requirements?

10 How can government overcome the public financial management problems of contracting in order to harness private sector capabilities in testing and in health care? This will require modified mechanisms of procurement, contract management and payments.

11 What should macroeconomic and financial policy do in 2020 and 2021?

CONTINUED ON PAGE 12

India records over 700 cases in 24 hours

Those below 40 yrs account for 7% deaths, but 47% cases

Over 25,000 Tablighis now quarantined

RUCHIKA CHITRAVANSHI
New Delhi, 6 April

India has quarantined over 25,500 people linked to Islamic sect Tablighi Jamaat, and sealed five villages in Haryana, as the total number of Covid-19-positive cases crossed the 4,000-mark, government officials said on Monday.

Since Sunday, more than 704 new positive cases have been registered, taking the tally to 4,281. Of these, 1,455 include workers of Tablighi Jamaat and those who came in contact with them, show health ministry figures.

So far, 111 people have died of the Covid infection, according to health ministry data. While 63 per cent of the deaths were seen in people above 60 years of age, only 19 per cent of those infected belonged to that age bracket.

More than 86 per cent who died had comorbidities — including diabetes, kidney- or heart-related problems — which shows that even the young are at risk if they have any of these conditions. According to government data, 37 per cent of the deaths were of those below 60.

Only 7 per cent of the deaths were recorded among people below 40. However, most of those infected — 47 per cent — also belonged to the same age bracket.

"Social distancing and the lockdown have to be followed if we want to break the chain. The young, with co-morbidities, can be at risk too... They should be careful of passing on the infection to elders in their family," said Luv Aggarwal, joint secretary health ministry.

Men outnumber women

The gender-wise breakup of those infected also shows that it is largely men who have caught the infection. About 76 per cent of Covid patients are male, and 24 per cent female. Among those who succumbed to the virus, 73 per cent were male.

Even globally, the impact has been harder on men. According to data collected by Global Health 50/50 — an organisation based in University College of London — above half the Covid deaths were among men across 14 countries including China, Iran, Italy, South Korea, and Germany.

In South Korea, for example, men made up 40 per cent of confirmed cases, accounting for 53 per cent of deaths. In Ireland so far, men have accounted for 48 per cent of confirmed cases, and 69 per cent of deaths.

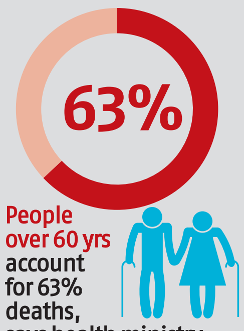
The report said the rates of tobacco smoking and alcohol consumption are substantially higher in men. "These behaviours are associated with both the risk of developing co-morbidities found to be associated with adverse outcomes in Covid-19, as well as with behaviours intimately bound up with gender norms, and how these norms are constructed and exploited in societies," the Global Health 50/50 report said.

In Italy and Denmark, around 71 per cent of deaths were among men. The lower level of infection among women in India could also be due to lesser social activity and interaction compared to men.

Containing corona

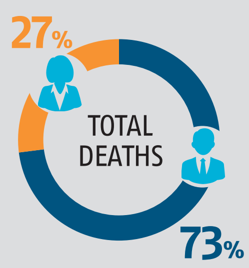
The government has released ₹3,000 crore to states under the state disaster relief fund and the National Health Mission to fund activities such as surveillance, quarantine facilities, and purchase of medical equipment, said Aggarwal. On the use of hydroxychloroquine, a malaria drug, in the treatment of Covid, the government said the evidence was too limited at present to recommend usage.

VIRUS TRACKER



People over 60 yrs account for 63% deaths, says health ministry

MUMBAI'S WOCKHARDT has been shut and declared a containment zone after **29 staffers tested positive. Jaslok Hospital has also been declared a containment zone after 10 staffers tested positive**



The US government, through its aid agency USAID, has announced **a grant of $2.9 mn to India** to help it fight the coronavirus pandemic

FEMALE TIGER TESTS POSITIVE IN US ZOO. India has put all zoos across the country on 'highest' alert

Doctor, nine para-medical staff test positive at **Delhi State Cancer Institute;** total cases at hospital stand at 18

Training of Gaganyaan astronauts, chosen for India's first manned mission to space, has been put on hold by **Russia due to lockdown there**

The Supreme Court directs district courts across the country to adopt **video-conferencing** prescribed by the concerned high court for adjudicating cases, in view of the pandemic

At least 1,445 cases related to Tablighi Jamaat event out of total 4,067 positive cases in India: Health ministry official

1,750 of total 2,083 foreign members of Tablighi Jamaat have been blacklisted till now: MHA

Fighting Covid: Partnerships take centre stage

ADITI PHADNIS
New Delhi, 6 April

Fourteen parliamentarians have decided to partner with top venture capital funds, public health and policy organisations, and experts to strengthen the fight against Covid-19.

The action group will be known as Parliamentarians with Innovators for India (PIIndia.org), and aims to spur innovators to solve challenges in areas such as public health, economy, and livelihood. While the 14 Parliamentarians come from different states and across party lines, the group has organisations like Population Foundation of India, Centre for Policy Research, Omnicuris, apart from top experts in public health and policy.

MPs Agatha Sangma of NPP, Karti Chidambaram, and Rajeev Gowda from the Congress; GVL Narasimha Rao, Varun Gandhi, and Sudhanshu Trivedi from the BJP; Mahua Moitra from the Trinamool Congress; Sujeet Kumar from the Rashtriya Janata Dal; and K Danish Ali from Janata Dal (Secular) are among the 14. There are others from smaller parties. The goals of the Action Group are to mobilise capable teams across the country to build concrete and scalable solutions to address various challenges.

A call for proposals with public health as the prime focus will open on Tuesday. Ghanshyam Tiwari from the Samajwadi Party, involved in the education and online learning business, is the coordinator of the effort.

Starting April 15, the action group will meet every Wednesday via video-conferencing for two hours, to select the most impactful solutions that come from innovators across the country

Starting April 15, the action group will meet every Wednesday via video conferencing for two hours, to select the most impactful solutions that come from innovators across the country.

The MPs will help innovators take the solution to their respective state governments and constituencies. The VC firms and impact funds part of the action group will consider the most effective and scalable solutions for funding. The public health and policy organisations, as well as experts, will guide the entire selection process, and help organise knowledge workshops and webinars for the group as well as for people in general. The mission of the action group is to build momentum among the professionally capable in India, and enable advanced and executable projects.

WORLD UPDATES

▶ **US coronavirus deaths top 10,000**; cases at 347,003

▶ New York governor extends shutdown to April 29

▶ WHO urges caution in relaxation of lockdown

▶ **Italy's deaths jump to 636** after big drop on Sunday

▶ Imported **cases rise sharply to 951 in China**

▶ **Japanese PM Shinzo Abe has a $1-trillion relief plan**

▶ **Singapore to close Changi Airport's terminal 2 for 18 months** following fall in demand

Boris Johnson taken to ICU


PHOTO: PTI

UK Prime Minister Boris Johnson (55), who has been tested positive for Covid-19, was taken into intensive care on Monday night after he was hospitalised in the morning.

The news of him being taken to ICU came just hours after he messaged from his hospital bed that he was in "good spirits" and staying in contact with his ministers to oversee the UK's coronavirus fightback. Indian PM Narendra Modi hoped that his British counterpart finds himself in perfect health soon. "Hang in there, Prime Minister @BorisJohnson! Hope to see you out of hospital and in perfect health very soon," the prime minister wrote on Twitter.

UK foreign secretary Dominic Raab has taken charge. A spokesperson for No 10 Downing Street said: "Over the course of this afternoon, the condition of the PM has worsened and, on the advice of his medical team, he has been moved to the ICU of St Thomas' Hospital in London.

AGENCIES

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The Epidemic of 2020

The Indian research community, and its philanthropic funding streams, need pursue such questions, which are of vital importance for India but will not attract commensurate prioritisation abroad.

Conclusion

Covid-19 is a tragedy. Whether it becomes a catastrophe is up to us. Low state capacity shapes and circumscribes our optimal path.

We should not feel the peer pressure of matching the policy actions of first world countries. What is wise and optimal for them is often incorrect for us. The fact that the US is sending out a cheque to each person, of 2 per cent of the US per capita GDP, does not mean that the Indian government should commensurately send a payment of ₹3000 to each citizen.

We must look at the Indian setting, understand the gaps of information and state capacity, and bring commensurate caution in the use of state power. Analogies with war, shooting from the hip, 'shouting from the hip', throwing out the principles of sound public policy in a liberal democracy: these are the ways in which we will enlarge the problem. Many times, when faced with low state capacity and low information, and faced with complex social systems that we only dimly understand, the best path is one of masterly inaction.

We should look beyond the heat of the moment into the medium term. In some months, the deaths per day will subside. This is not a war; we will come out of this with our physical and institutional infrastructure intact. Health, macroeconomic and financial policy must do the things today that set the stage for a V shaped recovery. This calls for thoughtful decisions through 2020 and 2021, where the desired outcome is one where private investment in 2025 is superior to the value seen in 2011 in real terms.

(The authors are chairman and professor, respectively, at NIPFP)