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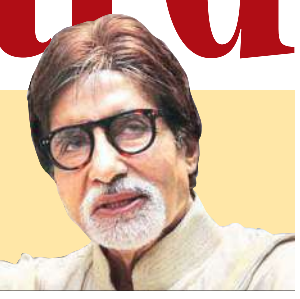
Business Standard

ECONOMY & PUBLIC AFFAIRS P4
UNEASY CALM AT NEW DELHI RAILWAY STATION

BRAND WORLD P11
ADVERTISING THE ART OF DOING NOTHING



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THE MARKETS ON TUESDAY

		Chg#
Sensex	30,067.2▲	2,476.3
Nifty	8,792.2▲	708.4
Nifty futures*	8,875.8▲	83.6
Dollar	₹75.6	₹76.2**
Euro	₹82.2	₹82.2**
Brent crude ($/bbl)##	28.2##	28.1**
Gold (10 gm)###	₹44,700.0▲	₹940.0

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

SBI CUTS MCLR BY 35 BPS, SAVINGS RATE BY 25 BPS

The country's largest lender, State Bank of India (SBI), on Tuesday said it had cut its marginal cost of funds-based lending rate (MCLR) by 35 basis points across all tenures from April 10. The one-year MCLR comes down to 7.40 per cent per annum from 7.75 per cent, it said in a statement. The one-year tenure is the benchmark against which most of the consumer loans are priced. It has also cut its savings rate by 0.25 per cent to 2.75 per cent on all deposits. The new rate will come into effect from April 15, 2020. PTI

ECONOMY & PUBLIC AFFAIRS P4

Govt okays limited export of hydroxychloroquine

Following intense pressure from United States President Donald Trump, the Indian government on Tuesday said it would partially allow exports of anti-malarial drug hydroxychloroquine to its neighbouring countries and to those "particularly badly affected" by the pandemic. It is learnt that apart from the US, Brazil and Sweden too have requested the drug.

COMPANIES P3

Uttam Galva defaults on ₹664-crore loan

Coronavirus and the resultant shutdown has started impacting companies, with Uttam Galva Steels (UGSL) defaulting on its ₹664-crore loan. Apart from state-owned banks, ArcelorMittal is one of the top creditors of the company. UGSL, which shut its plants and operations after the lockdown was announced, said it has outstanding loans of ₹1,008 crore to its creditors.

ECONOMY & PUBLIC AFFAIRS P5

FinMin set to release ₹20k crore in GST dues

The finance ministry is set to release ₹20,000 crore in pending goods and services tax compensation to states soon, *Business Standard* has learnt. This will not be from the compensation cess, but from the Consolidated Fund of India, and comes days after the Centre disbursed ₹17,287 crore to states as devolution and disaster funds.

COMPANIES P3

E-com firms seek curfew passes valid for 6 months

E-commerce firms such as Amazon, Flipkart, Bigbasket, Grofers and other sellers are in talks with the government to get curfew passes valid for 4-6 months. They are also seeking approval of the list of essential items, including information technology products, required by the consumers, according to sources. The window of 4-6 months would give enough visibility and time for the sellers to keep the stock ready.

COMPANIES P2

Manufacturers ready for easing of lockdown

The domestic manufacturing industry is preparing to resume operations when the nationwide lockdown to check the spread of coronavirus disease (Covid-19) ends. Companies are focusing on bringing production back to the pre-lockdown levels. Sajjan Jindal-led JSW Steel said on Friday "it was making all preparations to recommence operations at all locations on lifting of lockdown in the next few days".

Lockdown extension on Centre's agenda

States fear lifting curbs will worsen Covid situation

Thermal screening of residents of the Spanish Garden residential complex being conducted after a Covid-19 positive case was detected in an apartment, in Guwahati on Tuesday PHOTO: PTI

ADITI PHADNIS & SHINE JACOB
New Delhi, 7 April

The Centre indicated on Tuesday that it was in no hurry to lift the nationwide lockdown on April 15, after several state governments came out in favour of an extension. The Union government and states are expected to have a coordinated view on the matter, according to officials.

Many state governments have told the Centre they would not be able to handle more pressure on health facilities if "outsiders" transported Covid-19 into new areas. Responding to the requests made by many states and experts for an extension of the three-week lockdown, the Centre was thinking on those lines, a source said. This is despite the fact that economy and businesses have been hit hard by the lockdown. Although no decision has been taken, the lockdown could be extended till the end of April. The government is assessing the situation and a decision would be based on the number of cases and the level of infection spread by Friday. Turn to Page 11

ICMR ESTIMATES

- **A Covid-19 patient can infect 406 people in 30 days** if preventive measures such as lockdown and social distancing are not implemented
- **If social exposure is reduced by 75%**, then one sick person will be able to infect only 2.5 persons

FULL REPORT P12

VIRUS TRACKER

INDIA

Total	4,789
Active cases	4,312
Recovered	352
Deaths	124

WORLD

Total	1,381,014
Deaths	78,269

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

Indices record biggest one-day gain in 11 yrs

Sensex rises 2,476 pts to reclaim 30,000 on positive global cues

SUNDAR SETHURAMAN
Mumbai, 7 April

The Indian markets jumped nearly 9 per cent on Tuesday amid optimism that the spread of coronavirus was slowing in key global hotspots.

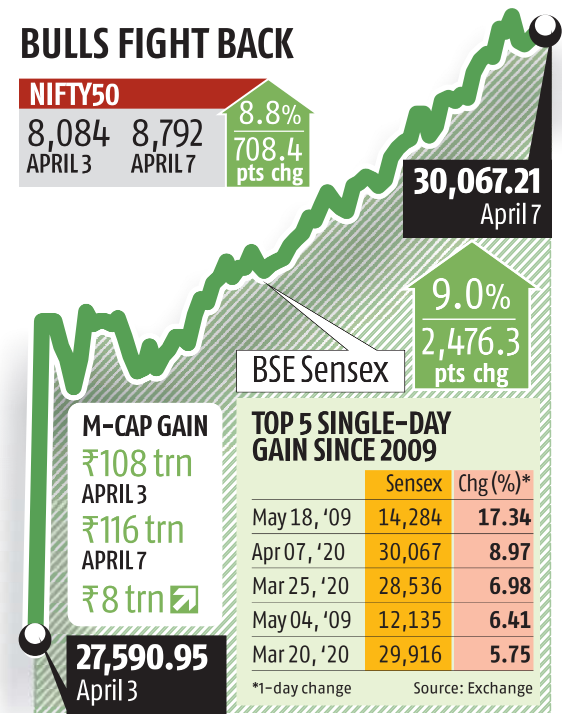
Most global markets rallied sharply for a second day in a row as investor sentiment improved after encouraging signs from a few countries severely hit by Covid-19, and comments from President Donald Trump that the pandemic was beginning to level off in the US. The US markets soared 8 per cent on Monday and futures markets indicated another day of strong gains. The Dow Jones was up about 2.5 per cent as of 11:15 pm IST on Tuesday.

While the Indian markets were shut for a holiday on Monday, they more than made up by posting the biggest single-day gain in 11 years on Tuesday. The Sensex closed at 30,067, up 2,476 points, or 9 per cent, while the Nifty rallied 708 points, or 8.8 per cent, to end at 8,792 — the biggest single-day gains for both the indices since May 2009.

The strong rally was underpinned by buying by overseas investors. On Tuesday, foreign portfolio investors (FPIs) were net buyers after many months, buying shares worth ₹740 crore. Turn to Page 11

BULLS FIGHT BACK

NIFTY50
8,084 APRIL 3 | 8,792 APRIL 7 | 8.8% 708.4 pts chg



TOP 5 SINGLE-DAY GAIN SINCE 2009

	Sensex	Chg (%)*
May 18, '09	14,284	17.34
Apr 07, '20	30,067	8.97
Mar 25, '20	28,536	6.98
May 04, '09	12,135	6.41
Mar 20, '20	29,916	5.75

*1-day change Source: Exchange

Gold price hits record high

The price of gold jumped 2.14 per cent to reach a record high on Tuesday on the expectations of further monetary easing by developed countries. Standard gold in the Zaveri Bazaar in Mumbai surged ₹940 to trade at ₹44,700 per 10 gram. 8

₹ surges 49p against $

The rupee on Tuesday surged 49 paise to close at 75.64 against the US dollar, following a rally in stock markets. At the interbank foreign exchange, the rupee opened at 75.92 and gained further ground to touch the day's high of 75.60. PTI

Cash-starved states borrow at steep rate

Agree to spreads of 150-200 bps above G-secs

ANUP ROY
Mumbai, 7 April

State governments, desperately needing funds to fight a lockdown-induced slowdown, on Tuesday paid a steep price to borrow ₹32,560 crore from the bond market, even as investors engaged in a negative bidding strategy to preserve their liquidity at a time when the markets are operating with curtailed timings.

In the face of heavy supply from both states and the Centre, and with foreign portfolio investors (FPIs) leaving the country, domestic investors demanded states to cough up spreads of 140-200 basis points (bps) over the equivalent government securities — and the states acquiesced. For example, Kerala paid 8.96 per cent for a 15-year bond. The equivalent maturity government security closed at 6.92 per cent. In normal times, spreads are not more than 60-70 bps over the equivalent maturity government securities.

According to the schedule, 19 states had lined up to borrow up to ₹37,500 crore, but they managed to raise ₹32,560 crore.

"There is absolutely no demand. So banks bid in such a way that almost guaranteed rejection. But the states accepted the bids," said the head of treasury at a bank.

He cautioned that such practice could rather be the norm than exception, and the Centre too would have to pay steep coupons in the upcoming auctions unless the Reserve Bank of India (RBI) came up with direct support in the form of secondary market bond purchases through its open market operations (OMO). Turn to Page 11

HOW STATES BORROWED

19
No. of states

₹37,500 cr
Borrowing planned

₹32,560 cr
Funds raised

1.5-15 years
Tenure range

CENTRE ALLOWS STATES TO BORROW ₹3.2 TRILLION IN APRIL-DEC P5

Be ready to fly low till Covid is gone

Empty middle seat, no duty-free shopping to be new normal till WHO all-clear

LICENCE TO FLY

Standard operating procedures being formulated by the DGCA:

- Compulsory thermal screening
- Middle seat to be kept empty
- Last three rows for isolation
- Minimal on-board services
- Preventing crowding near boarding gates and aerobridges

ARINDAM MAJUMDER
New Delhi, 7 April

From planes flying at almost half the capacity to no duty-free shopping at airports, aviation in the post-lockdown period is going to be tough. Indian airlines and airports will have to comply with strict social distancing norms until the corona virus pandemic is over, according to a set of protocol that the regulator is framing.

Airlines will have to follow the guidelines till the World Health Organization gives an all clear signal. Estimates suggest that the aviation industry may have to grapple with the stringent rules for several months after the services resume.

The government is likely to remove the ban in phases for both domestic and international flights in order to prevent crowding at airports.

The Standard Operating Procedure, being formulated by the Directorate General of Civil Aviation (DGCA), will make it mandatory for airlines to keep all middle seats and last three rows empty to minimise contact. This means for a 186-seater Airbus A320 jet, that the country's largest airline IndiGo flies, only 106 seats can be sold.

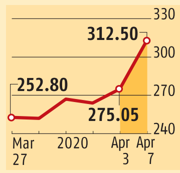
"While keeping the middle seat empty is important to ensure social distancing inside the aircraft, the last three rows will have to be kept empty in order to isolate a passenger if he or she develops symptoms mid-air," said a government official.

Airlines will also be asked to minimise on-board services in order to prevent close contact between cabin crew and passengers.

Pre-packaged dry foods will be kept in passenger seats prior to boarding while airlines may encourage flyers to carry their own food. In order to prevent crowding across airports, the regulator is mulling drastic measures including ban of duty-free sales. Turn to Page 11

STOCKS IN THE NEWS

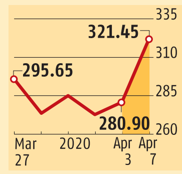
▶ Cadila Helathcare



USFDA approval to market Perphenazine tablets

₹312.50 CLOSE ▲13.62% UP*

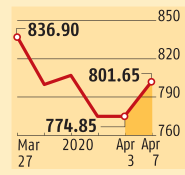
▶ Mahindra & Mahindra



Top gainers in the S&P BSE Auto index

₹321.45 CLOSE ▲14.44% UP*

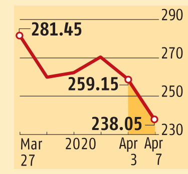
▶ Larsen & Toubro



Secures large order from Army for advanced IT-enabled network

₹801.65 CLOSE ▲3.46% UP*

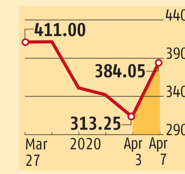
▶ Inox Leisure



Prolonged closure may significantly impact credit profile

₹238.05 CLOSE ▼8.14% DOWN*

▶ IndusInd Bank



Top gainers among S&P BSE Sensex stocks

₹384.05 CLOSE ▲22.60% UP*

* OVER PREVIOUS CLOSE

Domestic manufacturers ready for easing of lockdown

Industry hopes for return of labour, smoothening of supply chain and lowering of inventory

ADITI DIVEKAR, ARNAB DUTTA & AMRITHA PILLAY
Mumbai/New Delhi, 7 April

The domestic manufacturing industry is preparing to resume operations when the nationwide lockdown to check the spread of coronavirus disease (Covid-19) ends. Companies are focusing on bringing production back to the pre-lockdown levels.

Sajjan Jindal-led JSW Steel said on Friday "it was making all preparations to recommence operations at all locations on lifting of lockdown in the next few days".

All leading electronics players — including Samsung, LG, Xiaomi, Godrej, Panasonic, Blue Star, — are holding virtual meetings with stakeholders and government officials to chalk out a resumption plan. These are being monitored by an empowered group of ministers (EGoM).

According to sources, government officials have asked industry bodies and manufacturers to submit key concerns and requirements to begin manufacturing activity. The EGoM is expected to meet on Wednesday to take a call on allowing electronics manufacturers to start production.

Jindal Steel & Power (JSPL), which has been working at full capacity despite the lockdown, is exporting 80 per cent of its production through Dhamra, Paradip, Vizag and Gopalpur which remain functional. It, however, sees logistics as a big hurdle.

"Currently, availability of truckers for customers to unload material is a big issue. Once the lockdown is lifted, truckers will return to work," V R Sharma, managing director, JSPL, told *Business Standard*. "We are delivering material to domestic customers through the nearest railway from where they arrange local transport for their facility," said Sharma.

Most electronic industry players, too, raised the issue of logistics. They say sourcing raw materials is no longer a concern as production units in China are producing more than 70 per cent of their capacity. A representation has been made to the government to fast-track shipping of goods from key ports, like Mumbai, so that transport time to factories in North India can be cut by two days.

INDUSTRY WILL STRUGGLE TO BRING LABOUR FORCE BACK P4

SCHEME FOR PHONE MAKERS FINDS NO TAKERS P5

The Rajasthan-headquartered Shree Cement is ready to start operations. "We are technically ready to start our cement plants when the lockdown is lifted," said H M Bangur, managing director for Shree Cement. The company has a domestic capacity of 37.9 million tonnes (mt). Though Bangur anticipates shortage of labour, companies like Larsen & Toubro do not anticipate any such issue and said they could ramp up operations to the pre-lockdown levels. Others, like JK Lakshmi Cement, said they would take a call on restarting production once there is clarity. "After withdrawal, a minimum of 15 days would be required to streamline operations. Recovery is expected to be gradual as it may take long for labour to return," read a YES Securities note after an interaction with cement players.

According to Kamal Nandi, executive vice-president, Godrej Appliances, the company is in regular touch with its workforce across the country. "We are continuing with virtual training of staff and are coordinating with them. Many of them are scattered as they have gone back to their hometowns." He said they were prepared to resume production as soon as the government signals lifting of lockdown.

Key contract manufacturers, like Flex, Foxconn, Wistron, and Dixon, are pushing for resumption of production activities from April 15. "We expect the authorities to decide by Wednesday. Resuming production will be challenging, given the fact that the entire supply chain and labour market are in a disarray. But we are prepared to resume phased production," said Avneet Singh Marwah, CEO, Superplastronics.

B Thiagarajan, managing director at Blue Star, too, said they were ready to resume production but might begin with 30 per cent capacity and then scale it up like it happened in China.

In the past few months, India's gross domestic product declined because of weak growth in manufacturing and construction. The country's growth is likely to hit a 30-year low of 2 per cent during 2020-21 as economic recession grips the global economy, following Covid-19 outbreak, Fitch Ratings said in its latest report.

State-owned Steel Authority of India, which continues to face labour issues, is looking to pull down its inventory after the lockdown ends. "Our inventory has gone up several fold because there is no labour to lift it even if we send the material through Railways. After the lockdown, we plan to have strong MoUs with our existing clients to keep our order book intact for FY21. If not higher, we are targeting the same level of sales as last year," a senior executive said.

JSPL's Sharma, too, is optimistic. "In the coming months, the whole world will look towards India as the alternate manufacturing hub. They (the world) have realised their over dependence on China is costing them dear. We will now see several collaborations with the Indian manufacturing firms for machinery and equipment."

Total SA forms JV with Adani Green, invests ₹3,707 crore

French multinational energy major Total SA has entered into a joint venture with Adani Green Energy (AGEL), the renewable energy company of the Adani Group. Total has invested ₹3,707 crore for a 50 per cent partnership in the joint venture company. AGEL, in a public statement, said the joint venture has 2 Gw of operating solar projects operating across 11 states in India. "AGEL is on track to achieve 25 Gw by 2025. With this, AGEL also targets to become the largest solar player in the world by 2025 and the largest renewable player in the world by 2030," the company said. **SHREYA JAI**

Suzlon Energy's debt stands at ₹14,262 crore

Suzlon Energy on Tuesday said its debt stood at ₹14,262 crore. The firm's total outstanding borrowing from banks or financial institutions is ₹12,885 crore, according to a regulatory filing by Suzlon. It said the resolution plan for restructuring of the total debt facilities has been approved by 100 per cent lenders by value, and 100 per cent lenders by numbers. **PTI**

SC extends TDSAT chairperson's tenure by 3 months

The Supreme Court on Tuesday extended by three months the tenure of chairperson of Telecom Disputes Settlement and Appellate Tribunal (TDSAT), which is scheduled to end on April 20, and expressed concern over the delay in appointment of administrative and technical members in the tribunal. **PTI**

Hiring activity falls 18% in March: Naukri JobSpeak

Hiring activity during March has declined by 18 per cent, compared to the same month in 2019, following the nationwide lockdown to tackle the Covid-19 crisis, with major impact in cities like Delhi, Chennai and Hyderabad, according to Naukri JobSpeak Index. The hiring activities showed early signs of slowdown from January. **PTI**

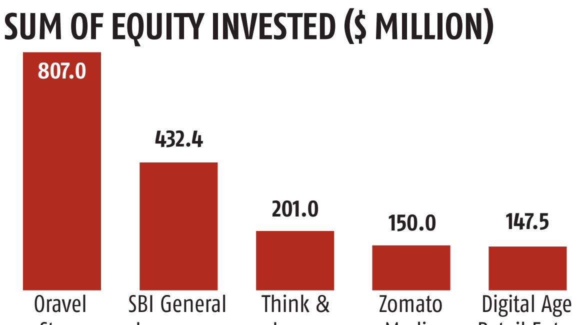
IndusInd Bank's deposits shrink by 6.64% in Q4FY20

Private sector lender IndusInd Bank's deposits shrunk by 6.64 per cent sequentially to ₹2.02 trillion in March 2020 from ₹2.16 trillion in December 2019 as many institutions, including government-linked entities, withdrew money from private banks after YES Bank's debacle. **BS REPORTER**

PE INVESTMENT IN Q1 DIPS 39% TO $3.6 BN

The first quarter of 2020 saw a decline in PE deals but an increase in investment over the previous quarter. The investment stood at $3.6 billion, a 26 per cent rise from the previous quarter but a 39 per cent drop over the same period last year, data from Refinitiv showed. Internet firms continued to attract maximum PE interest, while financial services saw a decline by 50 per cent. Investments in the internet space shot up by 60 per cent to $2.03 billion YoY, but the total number of deals remained the same at 62. Software (up 50 per cent YoY), medical (up 22 per cent) and biotech (up 14 per cent) were among the sectors that saw a rise in sum invested, compared to last year. **ASHLEY COUTINHO**

SUM OF EQUITY INVESTED ($ MILLION)



Source: Refinitiv

25% retailers may be out of biz if govt doesn't help

Firms may have to sack 20% of workforce, says study by retailers' association

SURAJEET DAS GUPTA
New Delhi, 7 April

Around 25 per cent of retailers would require serious infusion of capital to help them deal with the impact of the 21-day nationwide lockdown imposed to check the spread of coronavirus disease (Covid-19), else they would be out of business, the Retailers Association of India (RAI) said based on its estimates.

Says Kumar Rajagopalan, RAI chief executive officer: "It's a tough situation until the government comes to the rescue. Non-food retailers have had no revenues during the lockdown, yet their fixed costs continue."

To add to the woes, retailers who are members of the association say that they have to get rid of 20 per cent of their workforce to survive, with smaller retailers saying it would be as high as 30 per cent after the lockdown is lifted.

The sobering news is that retailers — including big firms like Reliance Retail — and exhibitors are contemplating issuing "force majeure" notices to shopping malls and real estate owners, and are in discussions with them to formulate an action plan for sharing the financial burden of the lockdown. Reliance Retail declined to comment.

RAI, which undertook a dipstick study of its 768 members from organised retail (including small, medium and big chains), says that 51 per cent of respondents expect a recovery only in 6-12 months, while 24 per cent believe it will take 3-6 months.

Also, 80 per cent of respondents do not expect to make any profit by August. And in the next six months, non-food retailers expect to earn only 40 per cent of revenues compared to what they earned last year.

About 18 per cent of respondents were food retailers, who did not close operations during the lockdown, the rest were non-food retailers, who were forced to shut.

There is a consensus that mall owners are willing to agree to a rent waiver during the lockdown. However, most retailers say their problems of cash outflow would remain for at least 2-3 quarters. So, they require sharp cuts.

MODERN RETAIL THINKING

70% don't see any recovery for 6 months to even a year	**20%** of 40-50 mn retail workforce to lose jobs	**80%** don't expect to make any profit till August 2020	**40%** income compared to last year for nine months for non-food retailers	**35-40%** of operating cost of retail is via rents. They want waiver or reduction

Says Rajgopalan: "With demand and supply mismatch... rental yields have to fall accordingly. After all, rentals constitute around 35-40 per cent of costs, followed by workforce (30 per cent) and holding inventory."

CORONAVIRUS PANDEMIC

Retailers are demanding benefits in goods and services tax (GST), removal of minimum electricity charges (imposed even if store is closed), renegotiations of rentals based on revenue share rather than being fixed, moratorium on payment of property tax by mall owners (around 5-10 per cent depending on the state) the benefit of which can be passed on to retailers.

Says Arun Sharma, chairman of Select group, which runs Delhi's upmarket Select Citywalk and houses big retailers from Zara, H&M, Starbucks, and exhibitors like PVR: "We have got requests from restaurants, retailers and movie theatres to waive rentals, defer them and some have asked for discounts. We are in wait-and-watch mode and are hopeful that government will address the issue"

Mall owners have their own challenges. Says Anuj Puri, founder of real estate consultants Anarock, which has many mall owners as clients: "Mall owners have taken lease rental discount from banks, so rent is going to the banks for payment of loans. If rents go down, they have to top up, but in the current position of real estate across sectors, it will be difficult for them to do so and therefore, they could default and the loan will become an NPA for mall owners who are leveraged."

However, many retail experts say shopping patterns could change fundamentally after Covid-19 is controlled. For one, millennials could be more careful in going for buying sprees on clothing or food, as the long stay at home has made them conscious that one can live with less, they say.

WhatsApp aims to fight fake news with fresh curbs

NEHA ALAWADHI
New Delhi, 7 April

In an attempt to fix the problem of the spread of misinformation, WhatsApp on Tuesday said it is launching a new feature to limit frequently forwarded messages. Once a message has been previously forwarded five times or more, it can only be forwarded to one chat at a time.

"We know many users forward helpful information, as well as funny videos, memes, and reflections or prayers they find meaningful. In recent weeks, people have also used WhatsApp to organise public moments of support for front line health workers. However, we've seen a significant increase in the amount of forwarding which users have told us can feel overwhelming and can contribute to the spread of misinformation. We believe it's important to slow the spread of these messages to keep WhatsApp a place for personal conversation," WhatsApp said in a blogpost on Tuesday.

The Facebook-owned messaging app, which has over 400 million users in India, also acknowledged reports of its latest beta release working on a way to allow users to find out more information around messages that may be spreading misinformation and being shared multiple times by users.

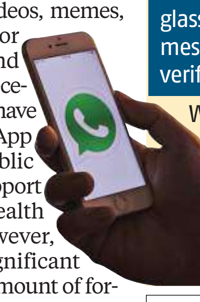
"That idea involves displaying a magnifying glass icon next to these frequently forwarded messages, giving users the option to send that message to a web search where they can find news results or other sources of information. Double-checking these messages before forwarding may help reduce the spread of rumours," WhatsApp said.

UP IN ARMS

- India is WhatsApp's largest market with 400 million users
- Misinformation related to Covid-19 has been a concern for the Centre

LATEST CHANGE: A msg forwarded five times previously can be forwarded only once

IN TESTING: A magnifying glass next to a forwarded message so the user can verify the forward



WhatsApp donated $1 million to Poynter Institute's International Fact Checking Network (IFCN) in March

Social media firms asked to submit daily reports

In a letter written to TikTok, Helo, and Facebook, the Ministry of Electronics and Information Technology has asked for daily reports to be submitted by the platforms detailing the measures they are taking to prevent the spread of misinformation. The communication says that the platforms have the potential of being misused. **NEHA ALAWADHI**

The Indian government has time and again raised the issue of misinformation being spread through different platforms in the context of the ongoing coronavirus pandemic.

Minister of Electronics and Information Technology Ravi Shankar Prasad recently said action would be taken against social media platforms if they do not curb fake news being circulated about the pandemic.

Travel firms devise business recovery strategies

ANEESH PHADNIS
Mumbai, 7 April

Travel companies are working on new business plans, devising ways to engage with customers, and training staff to adapt to a post-Covid-19 business environment.

The travel industry has come to a grinding halt with the imposition of travel bans and curfew across the world and it is unclear when travel restrictions will ease. "Our priority now is to protect the organisation and the employees," said Madhavan Menon, chairman and managing director, Thomas Cook India.

"We have several projects underway. We need to see what changes need be made in our products, technologies, customer engagement, and workplace. That is our focus," added Menon.

The tour operator, in February, had guided for negative impact on its quarterly result due to the coronavirus crisis.

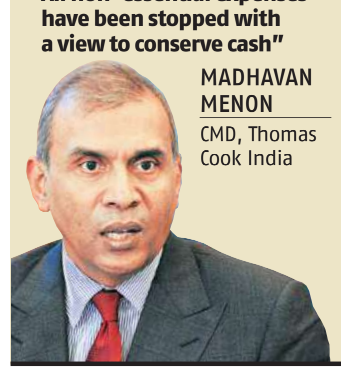
"We are preparing our workforce for a post-Covid marketplace by doing online product and sales skills workshops. Through regular engagement with our sales teams, we are trying to ensure they adapt to the changed business environment and are geared up for new opportunities," said Isha Goyal, director, STIC Travels.

Even as travel companies formulate business recovery strategies, they are grappling with many unknowns. For instance, it is unclear when visa restrictions will ease and how soon airlines will resume normal operations.

"It is going to be an extremely challenging year for outbound tourism, given all the travel restrictions," said Madhav Pai, founder-chairman, WOW Holidays.

"We have a significant amount of cash in our balance sheet and we are reviewing all our cash sources and payables. All non-essential expenses have been stopped with a view to conserve cash"

MADHAVAN MENON
CMD, Thomas Cook India



"The travel industry is going through an extremely difficult time. Most companies are focused on cutting cost and conserving cash. Marketing campaigns have been put on the back burner as have any bonuses for FY20 or salary increases for the next year"

DHRUV SHRINGI
Chief executive officer and co-founder, Yatra

"The travel industry is going through an extremely difficult time. Most companies are focused on cutting cost and conserving cash. Marketing campaigns have been put on the back burner as have any bonuses for 2019-20 or salary increases for the next year. The recovery is going to be gradual for the industry. Travel, especially international travel, will take more than a couple of quarters to recover," said Dhruv Shringi, chief executive officer and co-founder, Yatra.

The World Travel and Tourism Council last month said up to 50 million jobs globally in the travel sector are at risk due to the Covid-19 pandemic. With many domestic companies facing liquidity crisis, Indian Association of Tour Operators has sought refund of all advances paid to airlines and hotels, goods and services tax holiday, and a bailout package from the central government.

Menon said Thomas Cook India is comfortable with its cash position. "We have significant cash in our balance sheet and we are reviewing all our cash sources and payables. All non-essential expenses have been stopped with a view to conserve cash," he added.

Dip in valuation prompts IT firms to bet on buyouts

Tech firms with niche capabilities are on the radar of IT biggies

DEBASIS MOHAPATRA
Bengaluru, 7 April

With valuations coming to a realistic level because of the coronavirus disease (Covid-19), many IT services firms with sound balance sheets have started exploring the possibility of acquiring companies operating in niche areas. According to sources in the know, strategy teams of many IT firms have sounded out investment bankers and analysts about opportunities that could be the right fit before conducting any formal due diligence.

Analysts are saying that with enough cash reserves at hand, most IT firms are better placed to overcome the Covid-19 crisis. However, as revenue growth is likely to take a hit, a good acquisition could offset some losses in top line. "Global flight of capital to safety in a strengthening dollar environment would generally make investment in IT, KPO (knowledge process outsourcing) and BPM (business process management) firms an even more attractive proposition," wrote Amit Singh, executive director (Enterprise Technology & Services) of Avendus Capital, in a recent note to investors.

According to investment banking firm, mergers and acquisitions (M&A) activity in the sector was trending down in March because of the unexpected disruption. While deals announced in the space stood at 226 in January, the number fell to 191 in February and 89 in March, the note said.

However, deals in technology services space were not impacted as much as the overall technology segment. M&As in the segment stood at 14 in January, rising to 28 in February, and was 17 in March.

"While the current unprecedented situation has shaken investor confidence, we expect technology outsourcing industry to be a net-gainer in the medium to long term," Avendus Capital said. No wonder, companies such as Accenture, Infosys, Capgemini, Cognizant have closed acquisitions in March, despite the crisis.

In the past few years, most top and mid-tier IT services firms, including Infosys, Wipro, HCL Tech, and Tech Mahindra, have completed many acquisitions to build capabilities apart from supplementing revenue growth. "When the industry is likely to see a revenue growth in the range of -5 to +5 [per cent] in 2020, a good acquisition can in many ways offset losses from core business. At a time, when valuations are attractive, many IT firms have started exploring this option," said Pareekh Jain, an IT outsourcing advisor & founder of Pareekh Consulting. While large-cap IT stocks have fallen by 27 per cent in March from their five-year high globally, market cap of mid-cap IT firms have dipped by 48 per cent.

TECHNOLOGY SERVICES DEALS CLOSED IN MARCH 2020

Company	Acquisition
Accenture	■ ESR Labs ■ Context Information Security
Infosys	Simplus
Cognizant	Lev
Capgemini	WhiteSky Labs
Starhub	Strateg

* Source: Avendus Capital

SI 1
IT catches Covid bug: Sector's outlook takes a hit 8

Uttam Galva defaults on ₹664-cr loan

ArcelorMittal, SBI among steel firm's creditors

DEV CHATTERJEE
Mumbai, 7 April

LOCKDOWN BLUES

- Uttam Galva owes ₹1,008 cr to its creditors as on March 2020
- Cash flows disrupted due to lockdown, economic slowdown
- ArcelorMittal had taken over Uttam Galva Steel's loans to bid for Essar Steel
- Lenders staring at huge losses in case operations do not improve

The coronavirus (Covid-19) pandemic and the resultant shutdown have started impacting companies with Uttam Galva Steels (UGSL) defaulting on ₹664-crore loan. Apart from state-owned banks, ArcelorMittal is one of the top creditors of the company.

UGSL, which shut its plants and operations after the lockdown was announced last month, said it has an outstanding of ₹1,008 crore to its creditors. A company source said the default is "technical in nature" and blamed the ongoing lockdown for it. Operations had to be shut after it was unable to procure raw materials from suppliers due to the lockdown, said company sources.

State Bank of India, Oriental Bank of Commerce, Indian Overseas Bank and Vijaya Bank also have exposure to the company. A large part of Uttam Galva's loans was taken over by ArcelorMittal from public sector banks after it made the bid for Essar Steel in 2018 and later won it after a long-drawn legal battle.

The loans were taken over by ArcelorMittal India Private Limited (AMIPL), which had paid off ₹4,922 crore to the secured financial lenders of UGSL to clear the overdue principal amount as on September 30, 2018, and interest due as on October 17, 2018.

Later, the overdue principal paid was assigned to AMIPL and the remaining outstanding loan (till completion of its tenure) continued with existing public sector banks as 'surviving debt'.

Similarly, external commercial borrowing (ECB) loan facilities were partly assigned to Citi Bank, London branch, and $136 million was paid by ArcelorMittal, Luxemburg.

The ownership of Uttam Galva stayed with the Miglani family, which had acquired ArcelorMittal's 29 per cent stake in Uttam Galva for ₹1 on February 7, 2018 – just before ArcelorMittal had made the bid for Essar Steel.

But the Supreme Court later asked ArcelorMittal to clear the dues of UGSL if it wanted to become eligible to bid for Essar Steel. Despite the takeover of loans, UGSL's financial performance did not improve due to the economic slowdown and it consistently reported lower revenue and higher losses. For the quarter ended December 2019, it reported revenues of ₹147 crore and loss of ₹273 crore. In fiscal year 2019, its revenues were ₹556 crore with a massive loss of ₹2,126 crore.

Thanks to ArcelorMittal's payment, the State Bank of India (SBI), which had filed an insolvency petition against UGSL, had withdrawn the petition on November 1, 2018 – giving it a new lease of life.

In its annual report for fiscal year 2019, UGSL warned that cash flows from its existing operations are not sufficient to cover the fixed overheads let alone the principal and interest obligations.

"However, to ensure that the outstanding debt does not become a non-performing asset, the company has consistently cleared dues before 90 days of the due date from funds borrowed from ArcelorMittal India Private Limited by way of inter-corporate deposits (ICDs)," it had said.

Wipro to announce Q4, FY20 results on April 15

IT major Wipro on Tuesday said it will announce its fourth quarter and FY20 results on April 15.

There are speculations that announcement of corporate earnings for March quarter could be delayed given the ongoing lockdown amid Covid-19 outbreak.

"...meeting of the Board of Directors will be held on April 15, 2020, inter alia, to consider and approve the condensed audited standalone and consolidated financial results of the Company under IndAS for the quarter and year ended March 31, 2020," Wipro said in a regulatory filing.

It added that the Board will also look at recommendation of final dividend, if any, for the financial year ended March 31, 2020 at the meeting.

The results will be announced after stock market trading hours in India, Wipro said. PTI

Debt-laden DHFL says won't pay lenders, bondholders

Dewan Housing Finance Corporation (DHFL) on Tuesday said it will not make any interest or principal payment to lenders as well as bond holders as the company is under resolution process.

The Corporate Insolvency Resolution Process (CIRP) was initiated against the debt-ridden company as per the provisions of the Insolvency and Bankruptcy Code, 2016 with effect from December 3, 2019.

DHFL said all the rated debt papers of the company are carrying default grade ratings and disclosures on the same have been made to the exchanges.

The creditors of the company were duly informed about commencement of the CIRP and were requested to submit their claims to the company in the prescribed manner as per the provisions of the Code. PTI

E-com firms ask govt to provide curfew passes valid for 6 months

PEERZADA ABRAR
Bengaluru, 7 April

E-commerce companies such as Amazon, Flipkart, Bigbasket as well as Grofers and the seller communities are in talks with the government for curfew passes valid for four-six months. They have also sought an approval to put IT products required by consumers in the essential items' list, according to sources.

The time period of 4-6 months would give enough visibility and time for the sellers to keep stock ready, as these firms and sellers were of the view that the curfew passes provided to them would expire once the lockdown is lifted (after April 14). The companies have asked for digital curfew passes as they feel fresh lockdowns are possible after April 14.

"All these passes and approvals that they are giving are valid until April 14. So, if the lockdown is extended by two more weeks, then again you have to run to collect the passes," said an executive at an e-commerce company.

"We don't know if it is staggered unlocking or it is going to be a continued lockdown until June-July to flatten the pandemic curve."

E-tailers have asked for digital curfew passes as they feel fresh lockdowns are possible

As many delivery personnel have gone back to their hometowns, e-commerce firms are struggling to get enough of inter-district curfew passes. Instead of going from one district to another, the retailers have also asked the government to enable each state to provide the passes. "If my delivery associate is getting a pass for South Delhi, he can't do delivery in North Delhi," said a person.

"If the fulfilment centre is located in North Delhi, the associate could be living in South Delhi. Then he has to go all the way from his home to the fulfilment centre to pick up the stuff for delivery. Many delivery associates have been stopped by the police, saying that they don't have valid passes."

According to industry insiders, more than groceries, the biggest challenge for consumers is to get various important electronic items such as phones, computers and other accessories. This is because an increasing most people are working from home. According to community platform LocalCircles, most corporates have asked their employees to work from home.

As many people were unprepared for such a long lockdown, they are running out of items like printer cartridge and many don't have a laptop, hence, unable to work from home. Also, with online tutorials starting, parents are struggling to find computers for their children. Most of these items have still not been considered essential.

Tata Trusts, private firm join hands to roll out testing kits

PAVAN LALL
Mumbai, 7 April

Molbio Diagnostics, a diagnostics company, has partnered Tata Trusts to roll out Covid-testing kits across the country.

Molbio, founded in 2000, largely focuses on testing for diseases including tuberculosis and malaria. It can now diagnose a positive result for the coronavirus strain within an hour for ₹1,350, said Chandrashekhar Nair, chief technical officer of the firm.

The test — called the Truenat Beta CoV test — effectively enables same-day testing, reporting, and patient isolation initiation (if required). Officials say this is one of the few ICMR-approved tests to have been validated in a short period of time.

Its battery-operated kits are the size of a telephone and can be taken out into the field to test as many as 15 individuals a day. They range between ₹6.5 lakh and ₹12 lakh, and have received both government and ICMR approval.

They will be utilised in locations in Uttar Pradesh to start with, said Nair.

The firm has registered orders for 1,500 testing kits, which will be deployed soon. While the number of Covid-caused deaths and active cases has been rising sharply, India's apex health research body had earlier issued an advisory directing containment centres to conduct rapid antibody tests to detect the infection.

These tests use a blood sample and punch out results in minutes, but are not as stringent as other technologies.

Nair says his kit uses polymerase chain reaction (PCR) technology, which uses a swab from the throat to diagnose diseases — a more accurate method when it comes to diagnosis.

"Rapid antibody tests can be used for speed but can't detect all cases," he said.

"People could be carriers despite not showing any symptom, and therefore be contagious. This means testing has to become universal in India for the disease to be truly contained." Molbio, which has been funded by founders and private investors, has raised ₹400 crore to date, with ₹240 crore coming from Motilal Oswal in recent weeks.

Madhav Joshi, CEO of the India Health Fund (IHF), said the initiative focuses primarily on getting innovative projects and services to market in this field. The IHF is a grant-making initiative that has received over $10 million from Tata Trusts for supporting programs around infectious diseases.

The health ministry has said clusters of Covid-19 have appeared in Kerala, Maharashtra, Rajasthan, Uttar Pradesh, Delhi, Punjab, Karnataka, Telangana, and Ladakh. More than 200 districts have now reported Covid-19 cases, and the risk of further spread remains very high, it said.

Opinion makers bat for phased exit from lockdown

SOMESH JHA
New Delhi, 7 April

In the midst of the high-pitched life versus business narrative, several opinion makers, analysts and economists are of the view that India should start lifting the stringent lockdown measures in a graded manner across districts unaffected by Covid-19. It's another matter that states and the Centre are considering an extension of the three-week lockdown that had begun on March 25.

Pronab Sen, former chief statistician, pointed out, "In the unaffected districts, we should open up the lockdown but not allow movement out of these areas." The numbers show why this theory is gaining credence. As the lockdown enters the third week, more than 80 per cent of the total Covid-19 cases have been detected in 62 districts. And, around 420 of 718 districts in the country had zero cases.

CORONAVIRUS PANDEMIC

India should get back to normalcy by taking advantage of the data, according to Sen. "Of course, most of the affected areas will include high income urban areas of the country and hence, the production and consumption will take time to restore in the same manner," he explained, adding that the country has to begin generating livelihood and that a "cold turkey start" may not be feasible.

Going ahead, the government's plan would be to identify the geographical hotspots, which needn't be an entire district, and take immediate containment action there. "This type of dynamic and quick response can contain the disease," an official in the know said. Even as several committees are looking at the various aspects of addressing the crisis, economy is a prime concern. One of the committees recently deliberated on the sectors of the economy that can be opened up for operations along with a logistic plan. Comparisons were drawn with other countries as well.

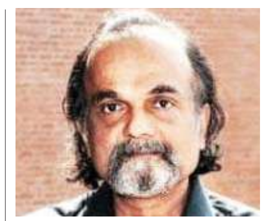
"Wherever there's a high number of suspected cases or cluster of cases, there's a need to define those areas as hotspot," said Dr AM Kadri, secretary general of Indian Association of Preventive and Social Medicine. "We need to do community surveillance there," he said.

Kadri, however, cautioned that India should not wash out the advantages it got out of the lockdown by lifting it in a hurry. "It needn't be necessary and can be a graded lifting. We need to mark each district into categories — high, medium or low risk. The highly vulnerable districts would require complete lockdown," he said. Also, the offices that require a large number of workers in a unit should not be opened right now and companies should continue to encourage 'work from home'. Schools, colleges, cinema halls and malls should remain shut, according to the graded lifting plan.

"Of course, most of the affected areas will include high–income urban areas of the country, and hence the production and consumption will take time to restore in the same manner"
PRONAB SEN
Former chief statistician

"Work has to go on, industry has to be restarted, agricultural activities have to start, and at the same time young people will recover from the infection"
JAYAPRAKASH MULIYIL
Former principal, Christian Medical College, Vellore

"We have to slowly allow trade, exchange and markets to function. Otherwise, there can be a breakdown in food and essentials supply & sharp currency depreciation"
KAUSHIK BASU
Professor at Cornell University



"We need to open up transportation lines in a way that it's not damaging and see what elements of transportation should work, whether people would be allowed to stand inside the buses"
SEBASTIAN MORRIS
Professor at IIM

Experts believe the government needs to formulate a plan to open up transportation as it prepares for the next phase.

"Shutting down railway lines and buses could be terrible. We need quick protocol on opening up the transportation lines. But we need to do it in a way that it's not damaging and see what elements of transportation should work, whether people would be allowed to stand inside the buses or not. We also need to restart the taxi services," according to Indian Institute of Management professor Sebastian Morris.

For instance, an alternate seat could be kept empty on modes of transportation to maintain the required 'social distancing norm', thereby ensuring that millions of migrants return to cities. Morris is of the view that it's the moment for bureaucracy to take charge and deliver strategies meant for a dynamic situation.

Medical experts, who anticipate that the coming week would be crucial in deciding the right strategy as the incubation period of the disease is 14 days, too said a complete lockdown for a long period is not feasible. "The actual impact of the lockdown will be visible in the coming week," Dr G C Khilnani, pulmonologist, who is the chairman of PSRI Institute of Pulmonary, Critical Care and Sleep Medicine, said. He said a complete lockdown may not be feasible looking at the economic considerations. Khilnani advised that till the time the country is equipped with adequate RT-PCR tests for detecting the Covid-19 positive cases, states should ramp up on rapid antibody tests, which were approved by the Indian Council of Medical Research recently.

While the RT-PCR tests cost ₹4,500, the antibody test costs roughly ₹300. The latter does not require expertise and the test results are available within an hour. "This will show us the prevalence of the disease. Through the anti-bodies test, we will be able to detect how many persons have become immune to the disease," Khilnani said.

Khilnani, who thinks testing would be essential in opening up the lockdown, said India will have to divert resources to highly-affected districts and in the meantime prepare for the testing kits.

On the other hand, Dr. Jayaprakash Muliyil, former principal, Christian Medical College, Vellore, and one of the country's leading epidemiologists, advocated 'herd immunity' for the country. That is, let a certain share of the population (young people) get infected by the virus to build immunity towards it. "The disease is going to be there – whether you like it or not even if you ramp up your testing," Muliyil added.

He said that the three-week national lockdown will help spread awareness among the masses about the disease who would know ways and means to protect themselves, such as not venturing out in the crowd.

"Don't do overcrowding; try to keep distance from each other. Work has to go on, industry has to be restarted, agricultural activities have to start and at the same time, young people will recover from the infection. When the immunity level is attained to the so-called protective level, or herd immunity, we can say that the epidemic has seized," he said, adding that the elderly will have to be kept isolated.

However, the government is not yet convinced with the idea of building up 'herd immunity', a senior government official said. "Herd immunity can be targeted when there is vaccine in place. We cannot target infecting a share of the population. But what we know is, after analysing the data from Wuhan in China, where the proportion of infected people is low and they have successfully contained it, the proportion of population required to build the immunity could be lower," the official said.

But to restart the economy, industry will need handholding of the government. Kaushik Basu, Professor of Economics at the Cornell University, US, and former Chief Economic Adviser to Government of India, listed steps to gradually lift the national lockdown. "The virus will be around for some time. Social distancing or lockdowns are a must but we also have to slowly allow trade, exchange and markets to function. Otherwise, there can be a breakdown in food and essentials supply & sharp currency depreciation," Basu said on Twitter on Monday.

Industry will struggle to bring labour force back

India Inc says migrant workers can return if there is compensation, safety

MEGHA MANCHANDA
New Delhi, 7 April

With migrant factory workers leaving India's major cities after Prime Minister Narendra Modi announced a 21-day nationwide lockdown on March 24, manufacturing companies are staring at the challenge of getting the labour force back once operations resume on April 15.

Factory workers can only be brought back if there is assurance of advance payment and compensation, besides safety at the workplace, say manufacturers.

The auto ancillary industry — one of the worst hit due to the labour exodus — will need at least three months to get its factories up and running. According to an ancillary supplier to the auto industry, even if the situation normalises in the next two-three months, production will not be more than 30 per cent.

"It is mainly because of job losses which will lead to lack of demand for automobiles. Also, the industry has been under stress for the past few months and inventories have piled up," he said, adding that in the face of unemployment, automobiles will not be a priority. His clients include Hero, Maruti, Tata, and Yamaha. Nearly 30 per cent of the labour force engaged in the industry has left the major cities; the rest cannot work at full capacity unless the Covid-19 crisis is tackled by the authorities.

According to Vinnie Mehta, director general, Automotive Component Manufacturers Association of India, the auto industry started getting impacted from the time the contagion spread in China, as it relies on imports from the country.

"For the auto industry, the impact started in January when China was impacted. Now, labour is a challenge. But working capital is a bigger challenge. We have to be particular about cash flows," said Mehta.

Nearly 30% of the labour force has left major cities; the remaining cannot work at full capacity unless the Covid-19 crisis is tackled by the authorities PHOTO: BLOOMBERG

If advance payments to migrant workers are made to get them back to work that expenditure will be met through the working capital of auto companies. Besides, interstate movement of workers will continue to be a problem since free movement will not be allowed even if the lockdown is partially lifted on April 15.

Mehta said, "Covid-19-safe workshops should be there. Currently, the auto component manufacturing units employ thousands of workers at their factories. The workspace has to be conducive to work."

The Indian auto component industry contributes 2.3 per cent to India's gross domestic product and provides employment to 5 million people.

The industry witnessed a growth rate of 14.5 per cent, posting a turnover of ₹3.95 trillion ($57.10 billion) in 2018-19 (FY19). Exports showed a growth rate of 17.1 per cent, scaling to ₹1.06 trillion ($15.16 billion) in FY19. The aftermarket grew by 9.6 per cent to ₹67,491 crore ($10.1 billion), from ₹61,601 crore ($9.2 billion) in the previous financial year.

However, for telecom equipment manufacturing companies, stalling work is not an option.

According to spokesperson at Ericsson, "Telecom equipment manufacturing has been allowed under essential services and, therefore, factories are working to cater to the demand of the mobile service providers." It is learnt that the movement of consignment is slow due to delayed clearances at the state level because of the 21-day lockdown.

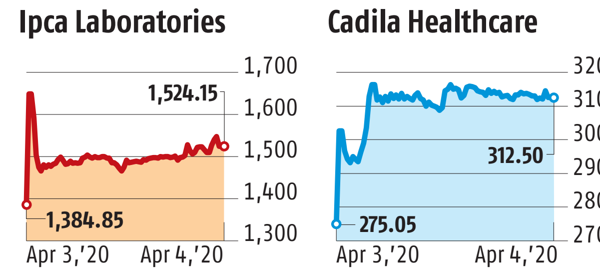
Ipca, Cadila gain on HCQ move

SOHINI DAS
Mumbai, 7 April

India's move to allow the export of hydroxychloroquine (HCQ), touted as a "wonder drug" for treating Covid-19, did wonders for the stock prices of the two largest manufacturers in the world — Ipca Laboratories and Cadila Healthcare — on Tuesday.

SHARES ZOOM

(BSE price in ₹)



IN HIGH DEMAND

- Ipca can roughly make 1 bn tablets per month
- Manufacturers claim orders pouring in from the world
- Apart from US, Brazil and Sweden have sought HCQ, claim sources
- SAARC nations also asking for the drug
- Ipca and Cadila to supply 100 mn tablets to government by April

Following pressure from US President Donald Trump, lifting the ban on exports of this drug was expected to be only a matter of time. India's Ministry of External Affairs (MEA) said on Tuesday that both HCQ and paracetamol (a common pain and fever drug) would be kept in the licensed category and their demand position would be continuously monitored.

"However, the stock position could allow our companies to meet the export commitments that they had contracted," the MEA said.

Stocks of Ipca Laboratories, the global leader for making HCQ and chloroquine, touched a 52-week high on Tuesday (₹1,649 a piece). It ended the day's trade up 12 per cent on the BSE. The stock price of the other major manufacturer, Cadila Healthcare, shot up 13.6 per cent. The Nifty Pharma Index gained 10.4 per cent on the day, outperforming Nifty's 8.8 per cent gain.

Both firms are in the process of supplying 100 million tablets to the Indian government this month. Global orders, too, are pouring in. The companies, however, remained tight-lipped on their export commitments. Cadila supplies to the US market, while US Food and Drug Administration lifted import alert on Ipca's plants to allow it to export during this crisis.

It is learnt that apart from the US, Brazil and Sweden have also requested for the drug to battle Covid-19 in their countries. SAARC countries too are in the fray.

India said that in view of the humanitarian aspects of the pandemic, it decided that it would licence paracetamol and HCQ in appropriate quantities to its neighbouring countries that are dependent on its capabilities. "We will also be supplying these essential drugs to some nations who have been particularly badly affected. We would therefore discourage any speculation in this regard or any attempts to politicise the matter," the MEA spokesperson said.

Trump had said he would be surprised if India did not allow the export of HCQ tablets despite a request made to New Delhi.

Sources revealed that Ipca can make 1 billion tablets of HCQ easily per month and that would be enough to take care of both domestic and international demand. Each patient requires a 14-tablet course approximately. India now has around 5,000 patients, but the numbers are expected to rise.

"The companies have said that they can supply 100 million tablets to us within April. We want to keep some buffer stock ready in India and thus the government has decided to procure. Meanwhile, if there is sufficient raw material available, these companies who have export orders can supply to the countries in need," said a government official.

He said the Centre would closely monitor the situation (of raw material stock, production and exports of HCQ) and take a call on a case-to-case basis.

Meanwhile, manufacturers noted that there were difficulties on the ground related to movement of raw material, finished goods both within the country and outside. "Many countries have said they would air-lift the stock once we are ready," said a senior official of a drug firm that makes HCQ. He added that the demand would reduce if HCQ is not found to be effective for Covid-19 patients.

Given the unprecedented demand for the drug, manufacturers say chronic rheumatoid arthritis patients who take HCQ daily could find it difficult to source it. HCQ is used to treat auto-immune disorders like rheumatoid arthritis, lupus and also in some diabetes cases.

"Another big trouble that is brewing now is that the rheumatoid arthritis patients who use HCQ may find it difficult to source it. The drug is sold over the counter (OTC) in the US. It is not sold OTC here. Since people are panic buying this inexpensive medicine as a prevention against coronavirus, supplies to regular users may get limited," the official said. Till the time of going to press, the Director General of Foreign Trade had not issued a formal notification in this regard.

Uneasy calm at New Delhi Railway Station

Now only 45–50 goods trains pass through the country's second busiest station

SHINE JACOB
New Delhi, 7 April

The sound of trains grinding to a halt and chugging out of platforms is missing. The announcements over the public address system, the intermittent calls of *yatriyon kripaya dhyan dein*, are absent. Emptied of its heaving mass of passengers, an eerie calm hangs over the New Delhi Railway Station. But for the occasional sound of freight trains, the station seems lifeless.

The 21-day lockdown to fight the outbreak has turned India's second busiest railway station (Howrah is the busiest), with an average daily footfall of over 500,000, into a space peopled only by a smattering of railway staff.

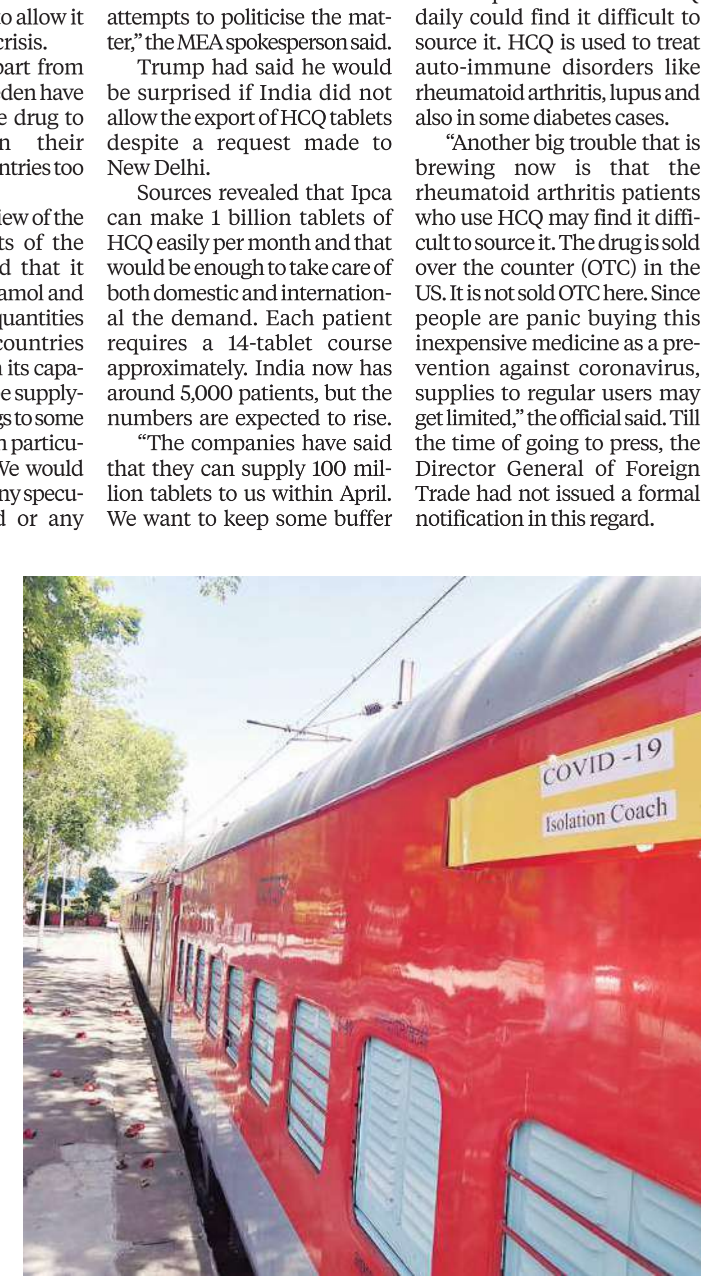
Like the rest of the country, the staff, the Railway Police Force (RPF), and others who depend on the station for a living find the lockdown hard to grapple with. In 1974, train operations had been similarly suspended during a 20-day railway strike. But no one here is old enough to have witnessed that.

At the entrance to the station on the Paharganj side, Deepak Kumar and four other members of the cleaning staff are busy with their work. "This is an unseen New Delhi station for us. But since the railway staff comes, we have to continue with the routine work. There's less dirt, but it's lifeless, too," says Kumar.

Only 50 per cent of the cleaning staff is reporting for duty under the lockdown rules. Many of them come from distant places, but the local trains they use are not running and they are often stopped by the police.

"I stay at work for you, you stay at home for us. Fight corona together," reads a poster on a platform on the Ajmeri gate side. Pointing to it, station manager, Sanjay Goel, says, "More than 4,500 people work in this station. Now it has come down to a few hundred. On a normal day, 354 trains pass through New Delhi. This has come down to 45-50 trains that carry goods."

The Indian Railways is handling around 45,000-50,000 freight wagons across the country during the lockdown. "Our major freight traffic includes essential commodities like food grains, coal, steel and petroleum. The government is making a special effort to ensure that there is no shortage of sugar, salt and edible oil for the consumption of the common man," Goel adds.



People queue up at an RPF food supply counter outside the railway station; (*right*) Indian Railways has set up a prototype of the Covid isolation coach PHOTOS: SHINE JACOB

The Railways transported 1,342 wagons of sugar, 958 wagons of salt and 378 wagons of edible oil during the 13-day period from March 23 to April 4.

Rakesh Sharma, a member of the station staff, is feeding the stray dogs that live on the platforms. "Before the lockdown, passengers used to feed them," he says. "Now we make sure that they don't go hungry."

Sharma adds that all the major departments, including commercial, ticketing enquiry and parcel, are closed now.

A few steps away from Sharma, there is a prototype of the coronavirus isolation coach set up by the Indian Railways. The government wants to come up with 5,000 such coaches, with the capacity to accommodate around 80,000 beds.

"Some minor changes are being made to regular coaches to make them patient-friendly. We have removed the middle berth and also three berths in front of the patient bed. All the ladders, too, have been removed," Goel explains.

The isolation coach has a modified bathroom, toilet and separate resting spaces for health care professionals. According to the prototype, each coach can accommodate around eight people, which can be extended to 16, if needed.

Outside the railway station, people have queued up at an RPF food supply counter. The RPF has opened the counter in association with the Indian Railway Catering and Tourism Corporation and some non-government organisations. Social distancing is maintained while distributing food. The people clean their hands with sanitizers before picking up the food packets.

"We serve around 4,500 meals daily across all the major railway stations in Delhi, including New Delhi, Old Delhi, and Ghaziabad," says Harish Singh Papola, divisional security commissioner, RPF, which has been working in full strength to ensure the security of the freight trains.

"Look around the station, and you will find several people who are without food. They were solely dependent on passenger services for a living. We serve them lunch and dinner," Papola says.

Taking his food packet from the RPF counter, Pawan Kumar, a homeless man, says, "*Saheb, rail gaadi nahi hai, magar humein jeevan gaadi toh chalani hi hai*" (Sir, trains are not running, but we have to run the train of our lives)."

Govt to release ₹20,000-cr GST dues to states

Second fiscal stimulus likely to be announced soon

ARUP ROYCHOUDHURY & DILASHA SETH
New Delhi, 7 April

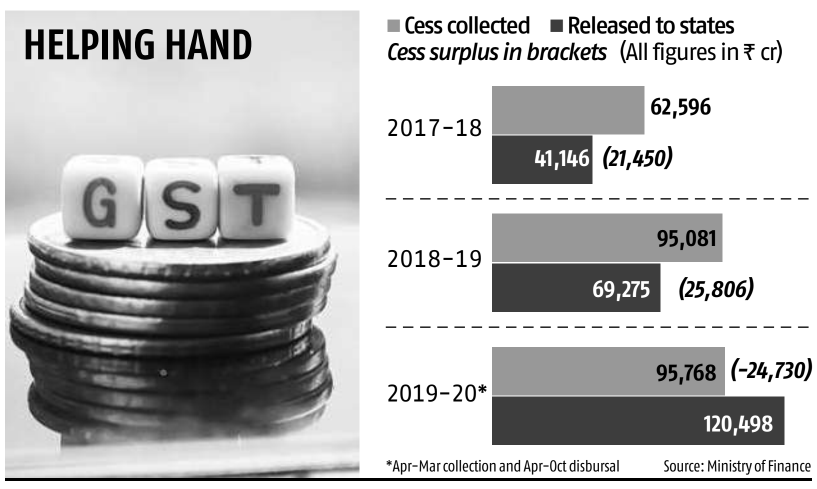
The finance ministry is set to release ₹20,000 crore in pending goods and services tax (GST) compensation to states soon, *Business Standard* has learnt. This will not be from the compensation cess, but from the Consolidated Fund of India, and comes days after the Centre disbursed ₹17,287 crore to states as devolution and disaster funds.

The finance ministry and the Prime Minister's Office are also working on another stimulus package, which is expected to be announced soon. There is no definitive number yet on the quantum of the package, which will again be aimed at the urban and rural poor, micro, small and medium enterprises and the sectors most affected by the coronavirus disease (Covid-19) pandemic and the subsequent 21-day nationwide lockdown.

Officials working on the stimulus package say that a lot of ever-changing factors are still under consideration. These include active cases of Covid-19, hotspots, and the status of the lockdown after April 14.

"The revenue department has been authorised to clear ₹20,000 crore in GST compensation dues to states," said a top government official.

"We can only disburse compensation to states from the compensation cess fund. Since it is not available, approval has been given for releasing it from the Consolidated Fund," said a second official.



Even with the ₹20,000 crore distributed among states, it will still be a fraction of what they have been demanding in financial support and clearance of pending dues. Central government officials say there is a resource crunch, but more will be given. States have also been allowed to borrow 50 per cent of their total 2020-21 limit in April itself.

Maharashtra had sought a special package worth ₹25,000 crore from the central government and asked it to release pending dues worth ₹16,654 crore under various heads by March 31, to fight the economic crisis. Tamil Nadu has sought a special assistance of ₹4,000 crore and a slew of other financial support measures. West Bengal has sought a package of ₹25,000 crore and clearance of dues worth ₹36,000 crore. Additionally, all states have sought relaxation of their borrowing limits.

With only 65 per cent of compensation due for October and November at ₹19,950 released last month, the total disbursal has been ₹1.2 trillion as against full-year collection of just ₹95,000 crore. It is, in fact, ₹3,000 crore short of the revised estimate of ₹98,327 crore.

Compensation cess, to be released on a bi-monthly basis, has been pending for about five months. With compensation of over ₹60,000 crore still pending, some states are even planning to drag the Centre to the Supreme Court.

"Never in the history of India has there been such a callous attitude of the Centre towards the states. There is no option other than the states approaching the Supreme Court," Kerala Finance Minister Thomas Isaac told *Business Standard*.

The central government was of the view that it would only release compensation out of collections through levy of cess on luxury and sin items like automobiles, tobacco, and aerated drinks.

MFIs turn to RBI for 3-month moratorium

RBI seeks data on drawdowns, bank loans, exposure to NCDs and CPs

HAMSINI KARTHIK
Mumbai, 7 April

Non-banking financial companies operating as microfinance institutions (NBFC-MFIs) have sought clarity from the Reserve Bank of India (RBI) on whether they are eligible for the three-month moratorium on loan repayments announced by the central bank on March 27.

"There is still confusion among banks on whether they should extend the moratorium to NBFCs. We have asked the RBI to clarify the position on this matter," said Manoj Nambiar, chairman, Microfinance Institutions Network (MFIN), a self-regulatory organisation of the sector.

Senior MFI executives contend that while they have extended the moratorium to their customers, the same hasn't been extended to them by some of their lenders. Instead, they were directed to meet their short-term liquidity needs through the targeted long-term repo operations (TLTRO) route.

On March 27, the RBI opened up the TLTRO option for NBFCs in addition to allowing well-rated corporates to tap bank funding through market instruments, such as commercial papers (CPs) and non-convertible debentures (NCDs). However, this option is primarily available to top-rated companies, with AAA and above rating. "There are hardly four-five MFIs with even A rating," said a source.

MFIs haven't had access to funds since March 23, and this has been communicated to the RBI. "In the last 10 days, we have not had any disbursals. We haven't received money through collections or bank loans, but we have had to meet our repayment obligations," said Padmaja Reddy, managing director, Spandana Sphoorty Financial.

In response to these representations, the RBI reached out to MFIs last Sunday, asking them to furnish information on their bank-wise loan outstanding, amounts drawn down and unutilised lines of credit, and share of CPs and NCDs issued by banks to MFIs. Sources say these data points have been furnished to the RBI and a clarification is awaited.

FINER DETAILS

NBFC-MFIs account for 35% of microfinance loans

NBFC-MFIs depend on bank loans to meet 50-80% of funding needs; 100% in case of regional MFIs

Collections and disbursals halted since March 23

Large MFIs haven't defaulted on their repayment obligations to banks yet

Because of rating constraints, MFIs cannot tap TLTRO

Confusion over moratorium norms hits smaller MFIs hard

NAMRATA ACHARYA
Kolkata, 7 April

Amid confusion over whether the moratorium on EMIs announced by the Reserve Bank of India (RBI) in the wake of Covid-19 pandemic is applicable to corporate loans, microfinance institutions (MFIs) — especially small and medium ones — are worried if they will be able to meet obligations this month. Already many small MFIs have either started defaulting or are in the verge of it.

During the recent monetary policy meet, the RBI had offered a moratorium of three months to all term loan borrowers. But the RBI statement on the relaxation does not specifically mention loans taken by corporate entities, leading to ambiguity. Meanwhile, microfinance lenders have announced the extension of a full three-month moratorium to all their clients.

Most small and mid-sized MFIs are heavily dependent on non-banking financial companies (NBFCs) for meeting their lending requirements, which, in turn, are dependent on banks for funds.

For example, Aviral Finance, the only MFI based in Chhattisgarh, has already close to ₹15-20 lakh overdue to banks, says Ankush Golechha, founder of Aviral Finance. By the end of this month, the overdue would be about ₹1.67 crore. The MFI has a loan outstanding of about ₹31 crore, and every month it collects about ₹3.5 crore, which is rolled over as fresh lending. However, since March 23, just days before the national lockdown, there has been no collection from end customers.

"It would be a question of life and death for us. We also have to meet all operational expenses, including the salaries of employees. While we have paid salaries for March, paying salaries for April will be a difficult task if a moratorium is not given to us," says Golechha.

MFIs are also unable to curtail operational costs by way of salary cuts or retrenchments, as ground staffers are crucial them for repayment collection. According to Rahul Mittra, co-founder and CEO of Margadarshak Financial Services, a mid-sized NBFC MFI based in Lucknow, the company would be forced to go for fresh market borrowing to pay salaries next month if a moratorium is not extended to MFIs. About 60-65 per cent of the company's borrowing is met by NBFCs. "While several public sector banks are saying they are awaiting board approval for a moratorium, NBFCs are claiming that they are confused if the RBI moratorium is applicable to corporate loans," says Mittra.

"We are under-leveraged but at the same time we have to pay our employees as they are the ones who connect with borrowers," says Gyan Mohan, director and CEO of Adi Chitragupta Finance, a Patna-based MFI, with a loan outstanding of ₹80 crore.

Insurers witness fewer claims in motor segment

SUBRATA PANDA
Mumbai, 7 March

Non-life insurers are seeing a rise in claims in the health segment, but the own damage claims in the motor segment are on the decline because of the 21-day lockdown imposed to check the spread of Covid-19.

During the lockdown, very few vehicles are plying on the road, which means there will be less number of accidents resulting in lesser intimation of claims. Fewer claims are supposed to improve the insurers' loss ratio in the motor segment, but the industry is divided on this.

Fewer claims are supposed to improve the insurers' loss ratio in the motor segment, but the industry is divided on this

Loss ratio indicates the underwriting performance of an insurer. If it is above 100 then premium collected is not adequate to pay claims. The industry is operating at a loss ratio of 80 in the motor segment. "We will have a 1-1.5 month period where accidents won't happen, which will bring in a 10 per cent impact on the loss ratio," said Sajja Praveen Chowdary, motor business head, PolicyBazaar.

Sanjay Saxena, head of retail claims at Bajaj Allianz General Insurance, echoed the statement, saying the losses would come down in the segment given lower incidence of claims.

On the other hand, few insurers feel although claims intimation is currently less, there might be a spurt in claims post the lockdown.

"The real clear picture will emerge only after the lockdown period gets over, as there is a possibility that we can see a backlog in claims. There are chances that policyholders may not be able to file their claims considering workshops are currently not operating," said Subrata Mondal, executive vice-president, IFFCO-Tokio General Insurance.

"Loss ratios are a function of accidents plus repair costs, labour charges, and spare part cost. Most of the manufacturers go for a hike in these things from April. The insurance industry has not increased any rates in the past six months and nor has the third party rates gone up. So, loss ratios may go up as opposed to going down," said the chief executive officer of private insurance company.

"Whether loss ratio in motor segment will come down significantly depends on how long the lockdown stays. In the motor segment, the third-party claims do not come to us immediately. So if the third party claims will go down or not is something we will see in the future," said Sanjay Datta, chief underwriting & claims, ICICI Lombard.

Moreover, the motor insurance segment has been going through a lean phase for the past one year as the economic slowdown resulted in low demand for new vehicles. A similar situation is expected after the lockdown period. Experts say the first two quarters of this fiscal year will see muted demand for the automobile sector and this in turn will bring in increased competition in the motor segment amongst the players.

"Insurance companies will take advantage of this fall in loss ratio and become more competitive in nature resulting in the own damage prices going down over a period of time," said Chowdary.

"As of now it seems there will be less claims. Lesser claims may impact the premium rates as well," said Mondal.

In the motor insurance segment, the motor third-party is mandated by law. The third-party motor premiums are revised annually, however, this year's hike has been put on hold given the ongoing situation.

States can borrow ₹3.2 trn in Apr-Dec

ARUP ROYCHOUDHURY
New Delhi, 7 April

The Centre has allowed states to borrow 50 per cent of their 2020-21 combined borrowing limit in April-December, according to a finance ministry letter to the Reserve Bank of India (RBI).

The letter was put up on the expenditure department's website on Tuesday.

The amount that the states have been given permission to raise through open market borrowings is a little more than ₹3.2 trillion. "It has been decided to accord consent to the state governments to raise open market borrowing on the basis of 50 per cent of the net borrowing ceiling fixed for 2020-21. The consent is applicable for the first nine months of 2020-21," the letter said.

It stated that the RBI will decide with states on the details of the borrowings, and further consent on raising borrowings will be processed on receiving further information from the states. The states can avail of this window at any time between April and December, after discussions with the RBI.

Scheme for phone makers finds no takers

ARNAB DUTTA
New Delhi, 7 April

With production units shut and sales halted owing to the coronavirus (Covid-19) outbreak, the country's leading electronics and handset manufacturers are postponing new investments to boost local manufacturing.

Despite the government recently announcing two ambitious schemes for the sector to attract new investment, none of the companies is planning to avail them any time soon.

For instance, Samsung had announced a long-term plan to invest ₹5,000 crore in its Noida facility that it aimed to make the largest handset production unit in the world. But now, it is yet to take a final call on the plan.

Sources said the firm will only review the new investment scheme after demand peaks beyond the pre-crisis levels.

However, with its volume sales remaining nearly flat in 2019, and it losing market share to Chinese rivals, plans on the new investment have been put in the back burner.

Top smartphone player by volume – Xiaomi India — is not considering investing through the new scheme despite a healthy surge in sales volume in 2019, said sources.

Currently, Xiaomi sources its handsets from six manufacturing units operated by Foxconn in India.

"The lockdown has brought the market to a halt, and it is difficult to predict when sales will normalise. Further, the growth projections for the economy suggest lower demand in the coming months. Thus, it is hard to expect that manufacturers will invest in boosting production capacity in the near future," said Kamal Nandi, president of industry body Consumer Electronics and Appliances Manufacturers Association (CEAMA) and executive vice-president, Godrej Appliances.

Other leading manufacturers like LG, Panasonic, Vivo,

"It is hard to expect that manufacturers will invest in boosting production capacity in the near future"

KAMAL NANDI
President, CEAMA, & executive VP, Godrej Appliances

"Everything other than life and livelihood is down, below the priority list now"

B THIAGARAJAN
Managing director, Blue Star

Oppo and Realme, are yet to gauge the full impact of the lockdown on their businesses. These companies are not ready to take a call on investing in manufacturing as sales have fallen flat. Most are anticipating a spill over of the ongoing crisis to the July-September quarter.

B Thiagarajan, managing director (MD), Blue Star, said, safety of the company's staff will be the key focus once production begins. "Everything other than life and livelihood is down, below the priority list now," he said.

The unwillingness of manufacturers in availing an incentive scheme that is long-awaited is unusual. Since expiry of the primary investment incentivising scheme — the Modified Special Incentive Package Scheme (M-SIPS) last year, there were no holistic schemes for manufacturers of electronic items in the country.

The industry has been demanding a concrete plan from the government that will incentivise any investment to boost local manufacturing — in line with its stated objective of 'Make in India'.

After taking industry demand into consideration, the government came up with two schemes. The Scheme for Promotion of manufacturing of Electronic Components and Semiconductors or SPECS is aimed at incentivising any investment above ₹5 crore in manufacturing of electronic components and semiconductors. The production-linked incentive scheme (PLI) has been launched to attract large investments in the mobile handsets segment.

RBI increases overdraft period of states

To provide greater flexibility to state governments to tide over cash flow mismatches, the Reserve Bank of India (RBI) on Tuesday increased the number of days for which a state or a Union Territory (UT) can be in overdraft at a stretch to 21 working days from 14 at present.

The number of days for which a state or UT can be in overdraft in a quarter has been increased to 50 working days from the current stipulation of 36 working days, the RBI said.

The arrangement will remain valid till September 30, the RBI said in a statement. ANUP ROY

Hurdles remain despite lockdown exemption for farming

SANJEEB MUKHERJEE
New Delhi, 7 April

Jagannath, a marginal farmer from Malhargarh town in Mandsaur district of Madhya Pradesh, the epicentre of a farmers' agitation a few years ago, has faced a peculiar problem over the past few weeks since the 21-day nationwide lockdown to check the spread of Covid-19 was imposed.

Heightened police scrutiny of his movements. "Though the government exempted farming and harvesting operations from the lockdown, we have to convince the local constable every time we go out that it is to work in the fields and nothing else," Jagannath says.

Shenu Agarwal, chief executive officer of Escorts Agri-Machinery, one of the largest farm equipment makers in the country, says his firm's employees and dealers, too, face a similar problem.

"Though the central and several major state governments have issued orders exempting farm equipment repair shops and retailers from lockdown, on the ground a lot of challenges remain and getting curfew passes for our dealers from district magistrates or collectors is a big problem," Agarwal said.

He said harvesting of rabi crops was underway in Haryana, Uttar Pradesh, Bihar, Rajasthan and Madhya Pradesh, where agriculture machine repair and retail shops are vitally important to enable smooth harvesting operations.

There are around 10,000 farm equipment retailing and manufacturing shops across India in the organised sector, while thousands of others exist in the unorganised space. The Ministry of Home Affairs (MHA) in an order issued last week exempted all sorts of agriculture machinery repair and retail shops from the lockdown.

Amid speculation that the lockdown could be extended, several relaxations given over the past few days need to be clearly conveyed to ground-level authorities to ensure that they are implemented in letter and spirit or else farming operations could get impacted.

Escorts on its part has lined-up a crack team of 10 senior officers who are daily in touch with district officials in various states to see that shops get curfew passes and requisite permission to operate.

"UP has started a very unique system of centralised application for curfew passes and permission to open the shops, while in other states either the dealers themselves or team members assigned have to get in touch with local authorities to see that policemen don't needlessly harass the tractor shop owners," Agarwal said.

Amit Saraogi, managing director of Anmol Feeds, a major animal feed maker, said another problem was the difference in the way various state governments interpreted the rules.

Saraogi says lack of information at the ground level about the exemption for movement of animal feed — fish, cattle and poultry feed — was making it difficult to work.

"Though fish feed has been classified as an essential commodity and exempted from the lockdown, some state governments hadn't notified them separately as a result of which one of our trucks carrying fish feed was stranded at the Assam border a few days back," he said.

Saraogi said sometimes state and district authorities have to be informed separately of the relaxations. "Human beings can remain without food for a day but poultry can't remain without food for more than four hours," he said.

Farmer leaders also say that though movement of big harvesting equipment such as threshers and harvesters have been allowed, they are subjected to numerous checks while crossing from one state to another, which delays their movement.

"If you ask me, in most places, 40 per cent shops selling seeds, fertiliser or even farm equipment have opened while the rest are closed despite exemption," said Gurnam Singh Chaduni, Haryana president of Bhartiya Kisan Union said.

He said if someone needs to get a tractor spare part from the city to mend their broken vehicle they are stopped at 10 places. "How many farmers will like to face this," Chaduni said.

The movement of combine harvesters and threshers hasn't yet started in full swing, which can impact harvesting of wheat in Haryana, which is ready to harvest a big wheat crop, he said.

Union Agriculture Minister Narendra Singh Tomar, meanwhile, on Tuesday held a videoconference with senior officials to ensure that farmers don't face any difficulty in movement of equipment needed for harvesting, transportation of harvested produce and other shops retailing seeds and fertilisers.

Lockdown won't impact farmers: NITI Aayog member

The government has taken several measures to safeguard farmers from any adverse impact of the ongoing lockdown, and the farm sector is expected to report a growth of little more than 3 per cent in the financial year 2019-20, NITI Aayog member Ramesh Chand said on Tuesday.

In an interview with *PTI*, Chand said the government had taken measures so that markets work normally during the lockdown period.

"The government has responded to the situation. No restriction is put on farmers in going to field and undertaking agriculture operations. So, all those states which are following these guidelines, I do not think there will be any adverse impact on the farmers," he said.

The country is under a 21-day lockdown to curb spreading of coronavirus.

On the first day of the countrywide lockdown, Chand said some reports came that farmers had to throw their perishable produce on the road.

"After states issuing order and the district administration allowing movement of machinery transport, etc. I see that after first day, we will not have any adverse impact on agriculture or farmers," the member said. PTI

NEW DELHI | WEDNESDAY, 8 APRIL 2020 Business Standard

Clean, cook, binge, repeat...

If everybody is "working" from home then how has TV consumption gone up? Who is making all that gourmet food being posted on social media?

MEDIASCOPE

VANITA KOHLI-KHANDEKAR

How on earth are people turning out gourmet meals in the middle of a lockdown? That is the first question bothering me as we enter the third week of the home incarceration prompted by the spread of the coronavirus globally. Dozens of friends and acquaintances posting yummy food pictures and videos on Twitter, Facebook and WhatsApp is puzzling. Don't they have to clean the house, mind the children or the elderly and also work from home? And how are they sourcing ingredients beyond the basic vegetables, dal and rice? I enjoy cooking under normal circumstances. But the drudgery of cleaning, swabbing, cooking on repeat mode everyday has taken the pleasure out of it. And for the first 10 days there was no break since the option to order out wasn't available, at least not in our part of Delhi.

Last week Domino's started offering home delivery from a severely pared-down menu. Now about half-a-dozen places offer contactless delivery. That means payment can only be made online and the delivery man wearing a mask and gloves will bring the food to the main gate of your colony. And we wear a mask to go pick up our packs. This has freed up a bit of time but still not enough to binge watch.

That brings me to the second question.

If we are "working" from home then how has television consumption and binge watching gone up so much? The total viewership of TV across the country grew by 37 per cent post Covid-19 (March 21-27) compared to pre-Covid-19 (January 11-31) says Broadcast Audience Research Council data. For perspective, it grew 38 per cent in 2019 over 2018. The amount of time people spent watching TV grew from three hours and 46 minutes to a whopping four hours and 39 minutes post Covid-19. The average number of people watching it daily grew from 560 to 622 million.

Who is watching all that TV? The sharpest growth, over 47 per cent, came from 2-14 year olds stuck at home. The second highest growth of 36 per cent is among 31-40 and 41-50 year olds. That is working people. These could be traders, shopkeepers, teachers, government employees, domestic workers and also writers, filmmakers, executives among others. It cuts across demographics with the big spikes coming from upper-income segments and English albeit on a smaller base. Clearly then all sorts of Indians, stuck at home are staring at the TV screen at all times. Non-prime time viewing has risen by a whopping 71 per cent post-Covid compared to pre-Covid.

The sad news is the rise of news viewership as a proportion of all television from 7 per cent to 21 per cent with even children watching what passes for news on Indian television. That coincides with what is happening online too — visits to general news sites and apps jumped 61 per cent in March over February according to comScore data. Currently there is no data on what is happening to viewing numbers on streaming services.

And that brings this to the final, most important, question.

If you do get some free time, what to watch? My favourites, the shows I have watched over and over again, *The Crown and Sherlock* (Netflix), *Downton Abbey* and *The Marvelous Mrs Maisel* (Amazon Prime Video) among others. Then there is *The Loudest Voice* (Hotstar), *Broadchurch* and *Criminal* (Netflix). And if documentaries or docu-series is your thing then you must watch *Inside Bill's Brain*, a superb take on Bill Gates, *Chef's Table*, an eclectic look at food, chefs and their home countries that is way beyond the obvious and *Wild Wild Country*, the Emmy-award winning show about Bhagwan Rajneesh's Oregon sojourn. All of these are on Netflix.

Of the new dramas I have just begun with The English Game but till the lockdown ends and regular life begins there is no time to binge watch. Instead I have opted for the witty distraction of The Big Bang Theory. It is 20 minutes of laughter therapy everyday and the answer to all my questions.

http://twitter.com/vanitakohlik

CHINESE WHISPERS

Sugar-coated warning

Call it their creative best or worst, owners of a sweetmeat chain in Kolkata are presenting the deadly coronavirus with a different taste, literally. Before you decide to boycott the shop, Hindustan Sweets, and warn others about it, here is the deal. They are selling a *sandesh*, shaped like the novel coronavirus, with a red spherical body covered with spikes. By blending one of Bengal's most savoured sweetmeat with the name of the pandemic, the owners aim to lift "the spirits of the people". To buttress this claim, they are also giving a pamphlet bearing anti-Covid-19 slogans and safety measures. Now that the offer has become viral, will it lead to curious customers thronging the shop's branches across Kolkata, defying the lockdown? At least the local authorities won't find this sweet.

High-powered attacks

The Rajasthan government has formed a committee under the leadership of former Union finance secretary Arvind Mayaram to advise it on the economic road map for the state as and when the lockdown is lifted. Meanwhile, the West Bengal government has constituted a committee of eminent economists, including Nobel laureate Abhijit Banerjee and Jishnu Das; health experts like the former director at the World Health Organization, Swarup Sarkar; a doctor, Sukumar Mukherjee; and former health secretary J V R Prasada Rao. The West Bengal government is also making efforts to showcase the combined wisdom of its eight-member advisory group. There is more competition on this as Maharashtra's Uddhav Thackeray showcases his crisis management skills, as does Chhattisgarh's Bhupesh Baghel and Rajasthan's Gehlot, who has been exhibiting the "Bhilwara model" to contain the virus.

Redressing grievances

Since the Centre's Department of Administrative Reforms and Public Grievances launched a "national monitoring dashboard on Covid-19 grievances" on April 1, the portal has been inundated with coronavirus-related complaints. It had received 10,659 cases of public grievance as of April 6. The number of cases registered was 333 on April 1, and 2,343 on April 6. The department has issued advisories to all ministries/departments and state governments to ensure disposing of Covid-19 related cases on priority, preferably in three days. The disposal of public grievances pertaining to migrant labourer issues and availability of essential commodities has been given the highest priority. It had also asked ministries/departments to track tweets and reports on television channels on these issues.

Covid haze in an Indian maze

India's unique characteristics may add a layer of uncertainty to its Covid outcome; policymakers should be prepared

PRANJUL BHANDARI

We're all in this together" is a common sentiment doing the rounds globally amid the battle against Covid-19. Countries are all facing similar challenges like a sudden stop to economic activity, small businesses hit particularly hard and a collapse in financial markets.

The faint silver lining for India is that it is running a few weeks behind several other countries in terms of the spread of the virus, and can learn much from their experience. The relatively early lockdown was an example of this. But it is important to acknowledge some differences. India's unique characteristics may lead to different outcomes, or at least raise uncertainty regarding the outcomes, making it a complicated job for policymakers.

One, there are big question marks on how widely the virus will proliferate in India. A recent academic study (supported by a grant from the National Natural Science Foundation of China) looking at inter-city variations in China pointed out that warmer temperatures and humidity can slow the proliferation of the virus. This is a positive for India, which grapples with oppressive heat over the summer months. Sadly, the same report also showed that high population density and low per capita income (taken as a proxy for the capacity of the public health system) can more than offset weather-related advantages.

The optimists point out that India's relatively early lockdown can blunt the challenges of high population density. The pessimists respond that the large migration of labourers back to their villages since the lockdown was announced was counterproductive. The truth is that given so many cross-currents, it is hard to predict exactly how the virus proliferation will pan out in India.

Policymakers may be tempted to conserve much of the firepower in their policy arsenal, using it only if things become really bad. The problem with this approach is that long periods of uncertainty in themselves can be very costly. For example, people could begin to defy the lockdown if they become increasingly unsure about their sustenance. And perhaps authorities should expend further resources before things become even more severe. Increasing cash and credit outlays to workers and firms should be an immediate priority.

Two, the large dislocation in India's workforce could make it hard to restart activity. The recent mass exodus of labour from urban centres means that the lockdown is not a simple switch that can be turned on and off. Labour will only gradually return to work and activity could take time to restart even when the virus fears are behind us.

Policymakers will therefore have a proactive role to play in the long-drawn-out recovery process in addition to their firefighting role right now. Partnering with other entities — NGOs, private corporates and local governments — through the process may be a good idea.

Home Minister Amit Shah and Defence Minister Rajnath Singh chair a meeting with the Group of Ministers to review the measures related to Covid-19, in Delhi PTI

Three, the large informal sector — involving day labourers and one-man shops which typically operate in cash — do not have access to the same safety nets as the formal sector does. As much as 85 per cent of Indian labour works informally and a lion's share of Indian firms are in the informal sector. In these difficult times, the formal sector can evoke the Force Majeure clause in its legal contracts, citing the unforeseeable nature of the Covid crisis, and get a breather. A large cinema chain recently decided not to pay rent across all its theatres, evoking the clause.

The informal sector does not have this luxury. Will a displaced tea stall shack find its spot again when the proprietor returns from his village a few months down the line?

The "social capital" content, or simply put, the "goodwill" inherent in India's informal contracts, will be put to its biggest test over the next few months. Policymakers will have to be prepared if the outcome is grim.

Four, the blow to the financial sector could be serious. India's financial system has had a rocky few years. The recognition and provisioning for high loads of bad debt at banks took a toll over 2015-18, ending with a fallout at the shadow banks. A risk-averse financial system ensured that credit growth was weak all through 2019, and RBI rate cuts weren't sufficiently transmitted through to lending rates.

Now if this already fragile financial system gets punched by the Covid crisis, and loans turning sour rise further over the next few months making India's banks even more risk-averse, they may not be able to lend freely, when credit is most needed. Worst case, the medium-term growth potential of the economy could come under a cloud.

There is an important takeaway for policymakers here. Simply relying on banks to transmit the announced monetary stimulus to the corporate sector may lead to disappointment. Banks may be unwilling to extend loan repayment moratoriums to companies that the RBI has asked for. The banks may also not be willing to lend freely, despite the RBI incentivising them to do so.

In such a situation, the RBI could consider reaching out to endangered firms and sectors directly by opening up some targeted special lending facilities, a measure that is permitted in the RBI Act, but rarely used.

Bringing this all together, we think the authorities should be proactive in imparting a meaningful stimulus quickly. Cash and credit availability will be key — ensuring businesses get the necessary working capital and displaced workers are provided with the basic minimum sustenance.

For small firms, the government may need to provide loan guarantees, and the RBI could start providing funds directly to select sectors. A temporary GST rate cut may be a good idea to support demand. For individuals, cash transfers to Jan Dhan account holders need to be increased further. This will not just act like an unemployment benefit, but also help them in the process of returning to work.

Finally, to make all this possible, there should be an explicit understanding that if need be, the RBI will directly monetise a part of the fiscal deficit by purchasing the bonds the government issues to cover its deficit.

The author is chief India economist, HSBC Securities and Capital Markets (India)

INSIGHT

Pandemic distress

We need businesses up and running and people back at work — and swift extraordinary actions to make this happen

PRAMOD BHASIN

India has moved decisively to combat this most fearsome of all threats that we are likely to see in our lifetimes. We really have no choice. We don't have the capacity in our health care system or the testing equipment at any scale, and definitely not the PPE and ventilators so compulsory for fighting this battle. We had to try and stop this virus in its tracks. We have moved faster than almost every other country, locking down the entire nation overnight. It was dramatic, urgent and far-reaching. Yet unquestionably, this produced an impact that we should have anticipated and planned for. With over 80 per cent of our workforce in the informal sector without the luxury of immediate severance and unemployment benefits, many of them have no option but to head for the security of their villages and homes. Coupled with this, the impact on the entire MSME sector and related communities will be dramatic given the weak economy they were facing.

There is no question that the impact of this virus will create the greatest economic crisis since the Great Depression — and well beyond the financial crisis of 2008. We are probably already in a global recession — unemployment in the US has shot up to 30 per cent — and economic growth has fallen by anywhere between 15 and 30 per cent across countries. Entire industries have been devastated — tourism, hospitality, airlines, exports, retailers, restaurants. We were already in weak economic position in India with slow growth, cash flows stretched, Non-performing Assets rising, and this double whammy comes at exactly the wrong time.

The Reserve Bank of India has also acted fast — dropping interest rates, increasing liquidity, allowing banks to provide moratoriums on repayments. And the government has announced fiscal measures to help the poorer sections. But this is barely enough. We need to act with even faster scale and speed, and with much bigger and widespread impact. It has to be a philosophy of "whatever it takes". There is no other choice. Incremental changes will not be adequate. We really don't know how long this virus will surround us, till a cure is found. So our actions must be sustainable over a period of time because we could be facing repeated lockdowns in selected areas till the virus dies.

The MSME sector represents 29 per cent of the economy and employs 120 million workers — and it is currently facing into the eye of the storm. And the ripple effect of this will of course go across to NBFCs and then onto banks and across the country. Supply chains are getting hit badly, loan repayments will slow down dramatically, and businesses will fail. We have to find ways to combat this.

Traditional mechanisms for managing such a crisis won't work, so we have to throw the rule books out and think completely out of the box. Get someone like Nandan Nilekani to mastermind this like a war effort. Print money and get these funds as Direct Benefit Transfers to large swathes of our country, both consumers and MSMEs — specially all those who have already lost their jobs or their businesses are at high risk. Paltry increases won't work — the transfers must have impact and provide some level of security — and we need to do this every month. Use technology to reach people and let them know what the government is doing and planning to do — via telecom companies, e-commerce entities with their large databases of consumers and SMEs, Provident Fund, business correspondents, DSA networks — to reach out to as many businesses as possible and give them access to funds. Find them either directly or via banks, NBFCs and other financial institutions who can reach them very very quickly — they need drastic life support. As the RBI increases liquidity options, make sure this money is actually passed on by each and every bank and not selectively. Divert money from other parts of government spending into relieving the pain of this current scenario.

Very importantly, act with enormous speed. Get these funds to the people who need them in the next week. Ease the process for giving out loans so that these can be funded in a few days with minimal paperwork, but with all the necessary conditions. Use data available with the government and the private sector, specially employers and contractors, to reach out to these employees impacted by the shut down of so many businesses. Have working capital lines ready to be delivered to MSMEs through banks and NBFCs as well as DSAs and Business Correspondents so that they can get back up on their feet whenever the lockdown stops. Find adjacent businesses and people who are similarly impacted and include them in this process. Err on the side of speed and scale and not caution — it's too late for that.

The moratorium on repayments is extremely welcome and necessary — but the rules should be simple and clear — it should apply to all financial instruments not just loans, and to all institutions that hold bonds and borrowings such as mutual funds. And it must be consistent across institutions. We are already seeing many borrowers asking for moratoriums even if they may have the resources to repay. But with this level of fear about the future, these requests will only grow and delays will happen. We cannot, therefore, have a situation where the lenders continue to expect repayments while borrowers believe they have been given the right to delay payments.

The NBFC sector with its wide distribution and reach, both directly and through their networks, can make a huge difference in getting these funds to the right people in all MSME sectors. The RBI can really help make this happen — by encouraging the banks to expand their lines a lot more — with credit enhancement schemes and guarantees — in multiples of today's funding sources. Change the CRR requirements dramatically — get that money out into the economy — and with incentives and penalties to make sure the funds get to the right people. Start using analytics to help identify the key areas where the help is most required — there are many ways to use data and technology to do this — and we must ask for the private sector to also provide full support to build this capability.

"Cash is king" — never has this been more appropriate. Directing cash to the right people urgently, deferring payments, aiding liquidity are critical across all sectors and NBFCs play a vital role here. There will be leakage and waste and misuse — but we desperately need strong measures. We need businesses up and running and people back at work — and swift extraordinary actions to make this happen.

The author is chairman, Clix Capital

LETTERS

Rightly Left

There is much to be said about Communism as a tenet and policy tool. The Stalinist version saw Russia, over time, slide into oligarchy. In contrast, the Maoism of China took to the regimentation of the proletariat, for socialistic ends. Covid-19 illustrates the extremes of both the negative and positive aspects of the China model — the inbuilt credo of managing information that suppressed the scale of the outbreak and then the vigorous policy implementation that laid foundation to acquiring the humongous capacity to mass produce anything at will with extraordinary speed to cater to markets on global scale.

The Red ideology took root in other nations too, each adopting it selectively to suit the tide of their times and political drift. The Obama government in the US leveraged this to bring in a universal health coverage only to meet visceral resistance. It had the foresight to factor in pandemic health hazards of citizens. It spruced up the architecture of Centre for Disease Control and Prevention and readied an exhaustive document on control of pandemics.

In President Donald Trump's time, the rabid right wing has found an apostle to promptly dump both. The sad part is, even with deaths now mounting in thousands in the US, the hard-right is bent on cocooning the economy at the expense of human lives. Wall Street matters to the regime more than the Main Street and New York is being kept defiantly open.

Back home, Kerala has shown commendable acumen and toil to joust with a powerful foe and is clearly winning. It can only thank its Communist roots that kept the common man as its core concern. Its assiduously-built architecture of health schemes and last-mile delivery, backed by cadre driven distribution of ration/services, has risen up to the task.

One fervently hopes that the US too discovers its merit, come November 2020.

R Narayanan Navi Mumbai

Great effort

When art, idea and technology meet, the result is a masterpiece, a class of its own. And that is what one can see in the beautiful short film *Family* virtually directed by Prasoon Pandey which stars the superstars of our Indian film industry — Amitabh Bachchan, Rajinikanth, Chiranjeevi, Mamooty, Mohanlal, and others from the younger brigade like Priyanka Chopra, Ranbir Kapoor, Alia bhatt and more from different regional film industries. The most brilliant feature of this film, created to spread awareness about coronavirus and to help the film industry workers is that it has been shot in the home's of the stars and nobody had to step out. This initiative proves that information told cleverly through entertainment is something that can touch everyone's heart — the old and the young, the rich and the poor, the literate and the layman.

The film, which talks about the importance of staying indoors as the Covid-19 pandemic rages on, has got an overwhelming response. At the end of the short film, Amitabh Bachchan calls the Indian film industry a "family" and says that the film fraternity would make donations to daily wage workers of the film industry, who are most affected by the coronavirus-led lockdown. The film legend has also tweeted: "We are one and we shall overcome!"

The entire team and its sponsors must be applauded for this masterpiece.

M Pradyu Kannur

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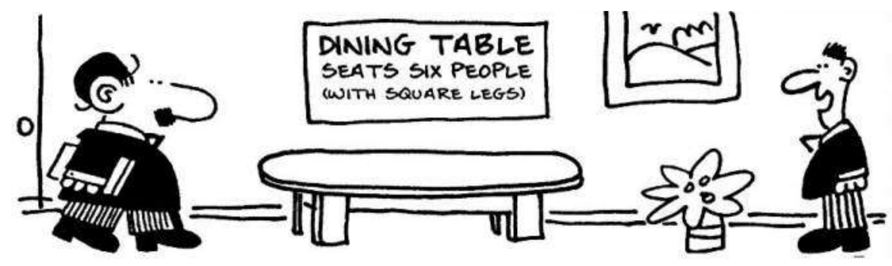
HAMBONE



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The job protection diktat

Govt must pay for a part of the wage cost

The government's decision to reduce the salaries of parliamentarians is a welcome recognition of the magnitude of the Covid-19 crisis. However, the action is in contrast to what it expects the private sector to do. Labour commissioners, acting on the government's behalf, are coming in the way of private companies shedding labour or cutting costs by sending staff on unpaid leave. For instance, the central labour commissioner has asked SpiceJet, which announced a pay cut recently, to submit an action-taken report on government advisories. Similar action is being planned in quite a few other cases as well. While protecting jobs and wages in the private sector is a worthy goal, the government should appreciate the tradeoff. The whole point of a flexible labour market, which has not been adequately addressed by the economic reforms process so far, is that wage costs must be made flexible to the extent possible. When business has gone downhill, high fixed costs, of which wages are usually an important part, can cripple a company by ruining cash flow.

What the government does not seem to understand is that if pay cuts, enforced leave and other such measures designed to share the burden are ruled out, the alternative may be complete closure, which is in no one's interest. Many businesses (like airlines) have been ordered to shut down by the government, so their revenue is zero because of this diktat. Although the government has done this to contain the virus, a number of companies would not be in a position to sustain cash outflows without revenues for a long time. In fact, for businesses such as airlines and hotels, normalcy may not return for an extended period even if the lockdown is lifted in a calibrated manner. So how do they pay wages? Truck sales are down 80-90 per cent; construction work is non-existent, which means high fixed costs will kill all these businesses. Such businesses will need greater operational flexibility and government support to survive. Otherwise, a large number of bankruptcies will not only push more people out of work but will also delay the recovery. Thus, how quickly India is able to recover from this unprecedented shock will depend on the way the government responds.

If the government sees its priority as saving all jobs or protecting all workers, with employers given no flexibility, then it should agree to pay for a part of the wage cost till normalcy returns, as the US, UK and a few other countries have done. The Indian government has announced a package for the most vulnerable section of the population, but a broad strategy to deal with the economic fallout of Covid-19 is still missing. Policymakers would soon need a road map to bring the economy back on track. For instance, some businesses will take more time to recover. The government would do well to make sure that cash flow and liquidity issues do not become a solvency crisis. A blanket diktat to private firms to keep paying wages is hardly a solution.

The side effects

Time to focus on unintended consequences of Covid-19

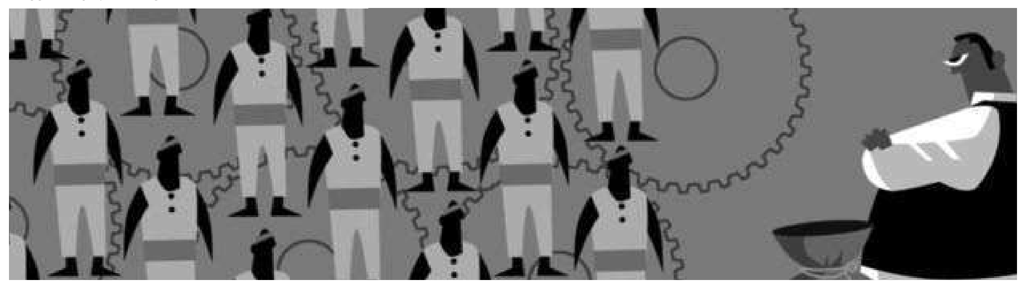
The abrupt, unprecedented cessation of economic and public life to fight Covid-19 has been driven by necessity, but the Centre and state governments may need to urgently focus on the unintended side effects on public health and livelihoods too. The first— and the most obvious — is the need to revive existing medical infrastructure to enable the treatment of non-Covid-19 medical conditions, which may worsen because the health care system is focused on the pandemic. Most hospitals have closed their operating theatres since all elective surgeries have been postponed indefinitely, and outpatient departments are accepting mostly Covid-19 cases. Although these closures are driven by the crisis of the moment, postponed surgeries or other medical procedures could well have life-saving dimensions — for cancer patients, organ transplants that tend to be time-bound, or dialysis for diabetic patients.

India has long been the world's ground zero for diabetes and heart disease. If medical facilities remain closed to such patients indefinitely, the fatalities from these could shoot up and these ailments may well become the country's biggest public health crisis going forward. Tuberculosis and HIV patients have also been casualties of the crisis. The case for a phased reopening of hospitals, therefore, is strong —albeit with more stringent precautionary norms since several key facilities in major cities have been quarantined owing to Covid-19 outbreaks among medical staff. The other dimension of the health problem concerns child nutrition. India's record on juvenile malnutrition remains among the worst in the world; the cessation of the midday meal schemes by several state governments is likely to worsen this situation. Some states, such as West Bengal, Andhra Pradesh, Kerala and Madhya Pradesh and the Union Territory of Jammu & Kashmir, have found a way around the problem by distributing dry rations. It is unclear, however, whether the coverage of such modified schemes is as wide or, indeed, as effective as the earlier model of providing a cooked meal every day.

The plight of rural India also demands immediate attention with the economic lockdown closing employment avenues. In sectors such as real estate, which was in dire straits before the Covid-19 pandemic, and in discretionary services such as retail, for which rural and semi-urban India produces the bulk of housekeeping and security services, the disruption is likely to be long lasting. The impact is already evident in reports of dramatic reductions in remittances, not only from the Gulf, a global Covid-19 hotspot, but also from urban to rural India from the millions of migrant workers. As a result, rural demand, that was ailing because of falling farm incomes before the Covid-19 outbreak, has been dealt a double whammy and may not see a revival anytime soon.

The knock-on effects of this rapid deceleration of demand on consumer companies and, therefore, employment, will compound the existing slowdown and can be potentially catastrophic. Expanding the food distribution system is likely to address the problem of starvation only partially, since the reach and efficacy of the ration shops in rural India is patchy. In other words, India faces the real threat of widespread destitution if the unintended side effects of the Covid-19 shutdown are left unmanaged. A partial lifting of the lockdown may address some of the issues but it is unclear how far and how quickly a country hit by anaemic growth ahead of the pandemic can recover unless governments remain proactive in the long run.

ILLUSTRATION: BINAY SINHA



India needs a new social compact

The symbiotic relationship between migrant workers and the economy must be acknowledged when the lockdown ends

The Covid-19 pandemic has brutally uncovered the hidden drivers of the Indian economy in which sharp inequalities of wealth and income are inherent; indeed they provide the grease which makes the wheels of economic activity, across regions and sectors turn smoothly. We have become painfully aware how much our industry, agriculture, services and even domestic comforts are reliant on a pulsating mass of poor and migrant labour, a majority of whom live on meagre daily wages, away from families that depend on a share of their earnings. According to the 2011 Census, migrant labour constituted 36 per cent of India's total population. This figure is likely to be higher today. This high percentage obscures the fact that migrant labour is concentrated in India's cities, which constitute 30 per cent of the country's population. So the proportion of migrant labour in urban India is huge.

SHYAM SARAN

Attention over the past couple of weeks has been focused, rightly, on the plight of migrant workers in major cities heading home to their small towns and villages in the thousands, braving hunger, tiredness and violence from police or being locked down in crowded and unsanitary shelters. But unspoken is the acute awareness that the Indian economy cannot run without the contribution of this mass of disadvantaged and even disparaged pool of semi-skilled and unskilled labour. Ripened crops cannot be harvested in time. Since most of India's industrial production continues to be in the small and medium and unorganised sectors, the unavailability of migrant labour means no production. And since service sectors, such as distribution and retail, are also dominated by the same atomised contributions of this pool of labour, their sudden absence has brought things to a grinding halt.

This cohort is mostly young, connected to their families and to their mates through mobile telephone and exposed relentlessly to the inequities of income and wealth on display all around them. What the pandemic has done and is continuing to do in ever sharper relief, is exposing the indispensability of this mass to India's economic survival. The terms of engagement were clearly to the advantage of the employer who could afford to offer minimal recompense for services rendered. But those terms are likely to change since the indispensability of this cohort of young and mostly migrant labour has now become glaring. When the pandemic begins to recede, the willingness of migrant labour to return to urban employment, the terms on which they are put to work, the manner in which society at large handles the extended period of their severe deprivation and offers them some credible avenues to meet their aspirations for the future, these have become critical issues that we must confront and resolve expeditiously.

Our initial policy actions did not take into account the narrow margin of survival and hand-to-mouth existence of millions of our fellow citizens. Social distancing is a luxury that the rich and middle class can afford, not workers typically sharing extremely congested tenements, with or without their families. A total lockdown does not take into account the existential reality of daily wage labour or contract labour, for whom no work may mean no food or shelter. This is what drove the thousands to defy curfew and literally start walking back to their village communities even hundreds of miles away. They expected neither sympathy nor support in an urban setting inhabited by self-entitled elites. It may now be difficult to bring them back on the same meagre terms as before.

This is a vast pool of mainly younger people driven to the edge of deprivation and despair, now scattered across the country. They could ignite a social upheaval with serious political and economic consequences. The possibility of violence is inherent in such situations. Prudence demands that we consider various scenarios that are likely to unfold in different circumstances. An early recession of the pandemic may have less serious outcomes. A more prolonged crisis may unleash forces that the State apparatus may be incapable of managing, specially in its current straitened circumstances. There may be recourse to coercive instruments to suppress unrest but it would be far better to take preventive measures to avoid such a dangerous denouement. It is in this context that we need to debate a new Social Compact that explicitly acknowledges the symbiotic relationship between this mass of young people and the economy, which they help to run. This Compact should have the following components:

The State, at both the provincial and central levels, must reach out to this cohort wherever they may be and offer financial and other support to help tide over the current crisis. This must be done with minimal bureaucratic red tape, never mind the leakages that are inevitable. The Mahatma Gandhi National Rural Employment Guarantee Act should be ramped up significantly as a means of ensuring funds into the hands of people without requiring participation in labour during lockdown. The penetration of mobile telephones and smartphones can be innovatively leveraged to identify and to bring relief to poor and migrant labour wherever they may be.

The State at all levels will need to work out a phased plan to enable migrant labour to come back to their respective places of work in close collaboration with industry and service-related activities. Some of these units may have been closed down and cannot be revived. Others may need State support for their revival. It would be worse if migrant labour head back to urban areas and find there is no work.

The Compact must include a commitment by the State to ensure minimum wage and work conditions for migrant labour, including insurance. An empowered regulatory authority such as a commissioner for migrant labour may be set up to look after its interests. States may be encouraged to set up similar regulatory authorities.

The National Skills Mission may be restructured and repurposed to provide opportunities to this category of labour to acquire new skills through training and graduate in terms of income and living conditions. This must be included in their terms of employment.

If such a Social Compact is formulated and announced without delay, it may keep alive the hopes of a key segment of our population, reflect the concern of the State and society for its welfare and offer avenues for realising its aspirations for the future.

The writer is a former foreign secretary and is senior fellow CPR.

The long shadow of 2019-20

Just about a week into the new financial year, there is now more clarity on the enormity of the challenges the government will face with regard to its revenue mobilisation efforts during 2020-21. The challenge will arise not only from the adverse impact of Covid-19 on the economy, but also from a huge overestimation of revenue collections during 2019-20.

First, let the revenue collection performance in 2019-20 be placed in the context of the Budget that was presented on February 1, 2020. Gross tax revenue collections during 2019-20 were expected to be about ₹21.63 trillion in the Revised Estimate (RE). But it is now becoming clear that the actual gross tax revenue numbers for last year would not be more than ₹19.62 trillion. In other words, the shortfall in gross tax revenue would be about ₹2 trillion.

Of course, the shortfall estimate is based partly on an assessment of the reported revenue collection figures and partly on the trend of collections seen in the first 11 months of 2019-20. But there is no reason to doubt the extent of the revenue shortfall.

NEW DELHI DIARY

A K BHATTACHARYA

Direct tax collections (including corporation tax and income tax) for the full year are reported to be only ₹10.27 trillion, compared to the RE figure of ₹11.7 trillion — a shortfall of ₹1.43 trillion. Collections of the central goods and services tax (CGST) for the full year are estimated at ₹4.95 trillion, down from the RE number of ₹5.14 trillion. This will mean a shortfall of ₹19,000 crore. GST Compensation Cess collections too have fallen short of the RE figure by about ₹2,500 crore.

Customs collections and excise duties in the April-February period of 2019-20 were estimated at ₹1.05 trillion and ₹1.97 trillion, respectively, according to the provisional unaudited numbers released by the government. The month of March has seen a huge drop in consumption of petroleum products (which account for the bulk of excise revenue) and even in imports, thanks to the disruption caused by the Covid-19 outbreak.

Assuming that Customs and excise collections in March continued to maintain the same pace witnessed in February, the full year's collections would not be more than ₹1.15 trillion and ₹2.19 trillion, respectively. Thus, the Customs shortfall would be at least ₹10,000 crore and the excise shortfall would be another ₹29,000 crore.

If you add the shortfall in disinvestment receipts (about ₹50,000 crore, compared to the RE number of ₹65,000 crore), the total impact on the fiscal deficit would be as high as ₹2.18 trillion or a little over 1 per cent of gross domestic product (GDP). But its impact on the Centre's headline fiscal deficit number may be a little less than that.

That is because there will be some savings in the government's expenditure. This will help reduce the slippage in the fiscal deficit. Also, the government will have the cushion of meeting some of its expenditure with extra-Budget borrowing. And more importantly, only 70 per cent of the tax shortfall will have to be borne by the Union government.

Note that as much as 30 per cent of the gross tax collections last year were transferred to the states under the devolution formula, mandated by the Fourteenth Finance Commission. If there is a decline compared to the actual collections, the Centre will lose only 70 per cent of the shortfall amount or about ₹1.5 trillion and the burden of the remaining shortfall amount would be borne by the states.

Thus, not just the Centre, but the states too would be adversely impacted by a record shortfall in revenue collections in 2019-20. In a worst-case scenario, with no expenditure savings or no additional extra-Budget borrowing, the Centre's fiscal deficit in 2019-20 may widen by 0.7 percentage point and the actual deficit may end up being 4.5 per cent of GDP, instead of the RE figure of 3.8 per cent.

The fiscal consolidation efforts of most states in 2019-20 will also take a big hit. As many as 12 states had projected a fiscal deficit of more than 3 per cent of gross state domestic product (GSDP) for 2019-20. It is now certain that they will suffer from a larger slippage and many of those 19 states that had promised to stay within the 3 per cent mark may follow their footsteps and report a higher deficit.

But that should not be the only cause for concern. The bigger worry should be the impact of the tax revenue collections shortfall in 2019-20 on the revenue assumptions for 2020-21. As explained earlier (*https://mybs.in/2YLjXdf*), a nominal revenue collection growth rate of 12 per cent has become a highly ambitious and unrealistic target as the Covid-19 outbreak dashes hopes of a nominal growth rate of 10 per cent during 2020-21.

Now with lower gross tax revenue collections of ₹19.62 trillion in 2019-20, the Budget target of ₹24.23 trillion of tax revenues in 2020-21 implies a growth rate of over 23 per cent, almost double the rate that was projected at the time of presenting the Budget in February. A growth rate of 23 per cent has been exceeded only thrice in the last 30 years — in 2006-07, 2007-08 and 2010-11. It is unlikely that such a feat can be achieved in a year when the economy will have to weather the full impact of Covid-19.

Assume that the nominal growth rate in 2020-21 will be no higher than the 7.5 per cent growth achieved in 2019-20 and the tax buoyancy rate continues to be 1.2 as projected for the current year. Both the parameters — of growth and tax buoyancy — will not look realistic in the current situation. But even on the basis of these assumptions, the projected tax buoyancy rate would go up to 1.6, which will be a difficult target to meet in a year of economic slowdown. On the other hand, the impracticality of achieving a 223 per cent rise in disinvestment receipts this year will make the government's fiscal deficit target even more unrealisable.

It is not that the Union government is unaware of a likely drop in the revenue collections for itself and for the states. It's true it has not changed the schedule of its overall borrowing programme for the current year. But already, to help tide over the stress in government finances in the wake of lower growth in revenue collections or an increase in expenditure, the Reserve Bank of India (RBI) has increased the Ways and Means Advances limit in the first half of the current year by 60 per cent for the Centre and by 30 per cent for the states.

Ways and Means Advances (WMA) are an instrument to help the Centre and the states to overcome temporary mismatches in their revenue and expenditure. But the RBI has already stated that it would consider issuing bonds if the Centre used up 75 per cent of its WMA limit. And the Centre can always step up its borrowing if the need arises.

There may be no official word yet on how the Centre's tax revenue assumptions for the current year have gone awry. But the long shadow of Covid-19, made longer by the revenue shortfall in 2019-20, on the Centre's finances in 2020-21 can no longer be missed by anybody.

The 'groupthink' contrarian

BOOK REVIEW

RAJIV SHIRALI

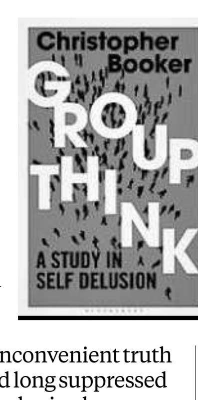
The late Christopher Booker, a prolific British newspaper columnist and author, was a self-confessed challenger of prevailing orthodoxies and conventional wisdoms. He railed against the European Union, the belief that human activity causes global warming, the lengths that political correctness is being taken to in Western societies, and campaigns for the removal of "offensive" statues of historical figures across the world (such as the coloniser Cecil Rhodes in South Africa and Confederate notables in the American South).

Booker, who died in July 2019 and did not live to see the publication of *Groupthink* (it was completed by Richard North, a collaborator on earlier books, on the basis of notes maintained by Booker's son), was hugely influenced by the book *The Victims of Groupthink*, written in 1972 by Irving Janis, a professor of psychology at Yale University. Janis argued that when a group of people comes to be fixated on some belief or view of the world, they "are convinced that their opinion is so self-evidently right that no sensible person could disagree with it". They are taken over by a "group mind" and become victims of groupthink, exhibiting herd behaviour and treating all those who differ from them with contempt and hostility.

The term groupthink itself was inspired by such Orwellian words as newspeak and doublethink. Janis's use of the Orwellian connotation was intentional, because "groupthink refers to a deterioration of mental efficiency, reality testing and moral judgment", and Booker approves, considering groupthink "contagious, extremely powerful and increasingly showing itself to be potentially very dangerous".

He dismisses the threat to the planet from "human-induced climate change" as "an extraordinary flight from reality", a hoax based on dodgy science, and a classic example of groupthink, on the ground that it cannot be definitively proved right or wrong. He favours the opposing view that global temperatures have failed to rise in accordance with the predictions of scientists' computer models, and that any changes in the earth's climate will result from "the complex interaction of natural factors, such as the shifting cycles in ocean currents and the activity of the sun" — which scientists carried away by groupthink have ignored.

His real grouse seems to be that with the signing of the Kyoto Protocol in 1997, the developed countries agreed to reduce their carbon dioxide emissions, while allowing developing countries to continue increasing them until their economies had caught up with the West. He ignores the inconvenient truth that the rich world had long suppressed the economies of the colonised countries, and denounces the Paris Accord as "one of the most damaging examples of groupthink the world has ever known". He also denounces the trend towards "political correctness" in matters of gender and race, citing some examples from the year 2017 in Britain. Among them is the sacking of the Labour Party's chief spokeswoman on women and equality issues, because she wrote a newspaper article about an incident that had come to light of Pakistani immigrants systematically raping and abusing several hundred under-age white girls in half a dozen towns. Leave alone the police, even feminists remained silent, Booker emphasises, for fear of a Muslim backlash.



GROUPTHINK: A Study In Self Delusion
Author: Christopher Booker
Publisher: Bloomsbury
Pages: 233
Price: ₹550

Political correctness, he points out, is often carried to ludicrous extremes. For example, police officers in Cardiff were ordered to walk around the streets in women's high heels, to raise awareness of "domestic violence by men against women". And Britain now has multiple police associations to reflect its diversity — a Gay Police Association, a Black Police Association, a National Muslim Police Association, a Pagan Police Association, and even a National Trans Police Association. Booker laments that the word "mankind" has given way to "humankind", "chairman" to "chair", "spokesman" and "spokeswoman" to "spokesperson".

In the obituary of Booker that appeared in *The Guardian* some of those who knew him were quoted as saying, only half in jest, that his association with the satirical magazine *Private Eye* (of which he was a founder, first editor and later a contributor) may have given him a jaundiced eye, and that he enjoyed being a contrarian. And if one man's certitude is another's groupthink, Booker can be accused of indulging in groupthink himself.

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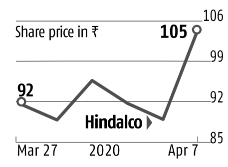
QUICK TAKE: ANALYSTS CAUTIOUS ON HINDALCO'S SURGE



Shares of Hindalco Industries surged 18% on Tuesday, twice that of the Sensex and almost thrice that of Vedanta. Last week, the aluminium manufacturer traded at a P/E of 4.6 times. Despite rock-bottom valuations, analysts say commodity stocks remain vulnerable, given the forecasts of global recession

"January 2020 – 10-year view being discussed and rosy (25 P/E). April 2020 – 10-week discussed and it's hazy (17 P/E)"

KALPEN PAREKH
President, DSP Mutual Fund

Pharma funds shine as recovery in China, demand hike ease concerns

Easing of supply-chain issues and hydroxychloroquine opportunity boost sentiments

JASH KRIPLANI
Mumbai, 7 April

Pharma funds are seeing a sharp uptick in returns, as China's recovery from the Covid-19 pandemic has eased concerns on supply chain issues.

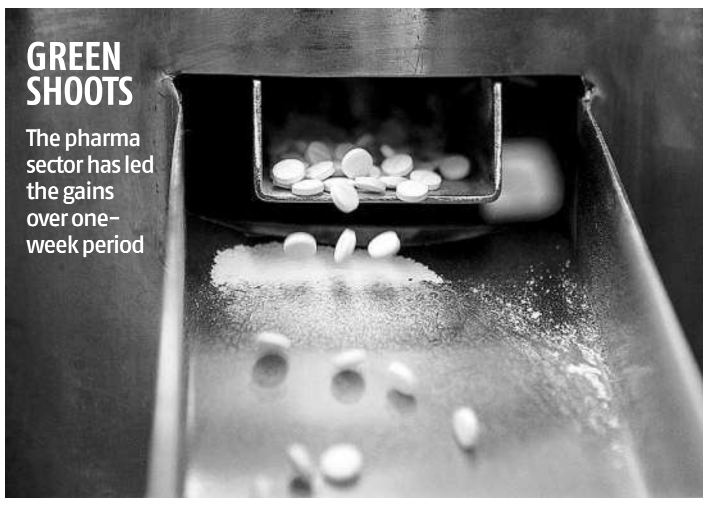
In addition, fund managers are also expecting pharma companies' top lines to gain on the back of high domestic and global demand for hydroxychloroquine (HCQ).

According to the data from Value Research, one-week returns of pharma sector funds stood at 6.3 per cent. Among equity categories, it was the only one to have given positive returns.

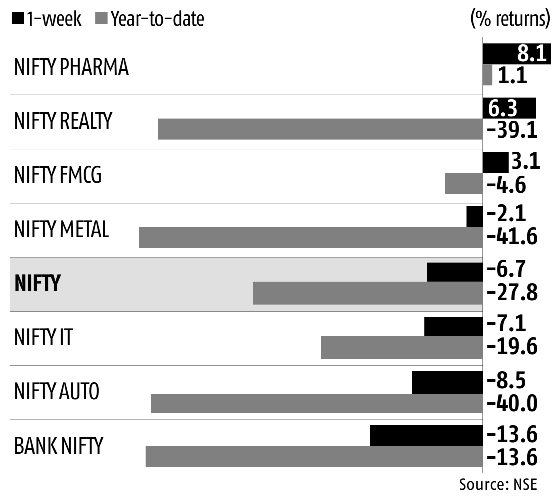
Fund managers say pharma funds face near-term challenges, but there are positive triggers, with Covid-19 cases in China coming under control.

"Worries remain in terms of transporting products from ports to plants. Further, labour issues at plants continue to impact, but companies are trying out things to keep production going with limited manpower," said Meeta Shetty, fund manager at Tata Mutual Fund (MF), who is part of the fund management team of Tata India Pharma and Healthcare Fund.

"More importantly, the impact of supply chain issues, caused by the situation in China, has eased. Domestic companies have 30-40 days of inventory to deal with short-term challenges," Shetty added.



GREEN SHOOTS
The pharma sector has led the gains over one-week period



Certain pharma stocks are seeing an upmove, as demand for HCQ —produced in large quantities in India — has seen a sharp pick-up as it is being given to Covid patients as part of the treatment.

In one week, listed entities producing HCQ have gained 18-22 per cent. Shares of Ipca Laboratories have gained 18.6 per cent, while Cadila Healthcare and Mangalam Drugs & Organics have risen 22 per cent each.

On Tuesday, India partially lifted the ban on HCQ exports, allowing it to be exported on a case-by-case basis. The US government has sought India's support in procuring the drug. Fund managers have also said that the domestic pharma sector is in a bright spot due to a host of factors, besides Covid-related triggers.

"Pharma sector valuations had turned attractive on account of USFDA-related issues. Large firms are trading at all-time low multiples. Earnings have been on recovery mode since the last 12 months. While most sectors are likely to see significant negative impact due to Covid-19, the pharma sector will see less of an impact. Further, there will be a long-term positive impact from the higher focus on healthcare," said Sailesh Raj Bhan, deputy chief investment officer at Nippon India MF.

"The sector is relatively under-owned. As the weight of the sector increases vis-à-vis the front line indices over the next few months, we could see a larger quantum of foreign passive inflows," Bhan added.

In a one-week period, the Nifty Pharma has clocked gains of 8.1 per cent. Year-to-date, the index continues to remain in positive territory marginally, whereas other sectoral indices are in the negative zone. The benchmark Nifty has declined 27.8 per cent year-to-date.

'We're not increasing cash calls; find market attractive'

Many assumptions regarding gross domestic product (GDP) growth and earnings estimates will radically change in 2020-21 (FY21), believes **MANISH GUNWANI**, chief investment officer–equity investments, Nippon India Mutual Fund (MF). In conversation with **Ashley Coutinho**, he says a lot of stocks are pricing in an extended slowdown and present attractive risk-reward trade-offs. Edited excerpts:

As things stand, what is your outlook for the market this year? Have the markets overreacted to the pandemic?

From an economic standpoint, the pandemic is likely to create deep impact in the short term as many industries have ground to a halt. Hopefully, the global and domestic economies should be back on their feet in the next three-six months. As far as market reaction is concerned, it is understandable from a near-term perspective that assumptions around GDP growth and earnings estimates will radically change in FY21. From a long-term perspective, we believe a lot of stocks are pricing in an extended slowdown and present attractive risk-reward trade-offs.

How are fund managers navigating the storm? Are you taking any cash calls or strategically reallocating money?

We are not increasing cash calls and find the market more attractive today than three months ago, as valuations are much cheaper. In terms of reallocating money, we are averaging some of the cyclical stocks we own and also adding to sectors which benefit from a rupee depreciation.

What's your view on the recent measures announced by the government and the RBI?

The policy boost by the government and the RBI will help the economy and financial system immensely. At this point in time, the corporate sector needs support and to a certain extent, both the government and the RBI have delivered on that.

What is your view on the earnings growth for FY21? What is your assessment on the impact of Covid-19 on businesses and the economy?

It may be difficult to estimate FY21 earnings, as the first quarter will be extremely stressful, given the near halt in economic activity. It is probably better to assume that 2021-22 will have certain growth on 2019-20 earnings and to look at the market from that viewpoint. Also, the top two-three players in each industry may gain market share in the next few quarters, as the balance sheet of the smaller players may get extremely stretched.

What is your take on banking and non-banking financial company stocks?

Lending by definition is a leveraged business and any leveraged business will have a bigger adverse impact in such a period where the global economy is facing one of its biggest shocks ever. The near-term outlook is challenging, but over time, large banks with good liability franchise and diversified asset base should emerge winners.

Which sectors are you betting on?

The theme we are advocating is buying the best balance sheet in cyclical sectors, so that when the economy stabilises, the survivors benefit significantly — both from macro tailwind and market share gain from weaker players. We see such opportunities across several sectors such as auto, real estate, aviation, insurance, and retail.

What is the outlook for systematic investment plan flows and lump sum investments?

The MF industry is seeing consistent inflows even now. While near-term returns have been weak, we believe the market is attractively positioned for investors to increase lump sum allocation. Our advice is that such extreme downturns should be used to increase allocation to equities. Increased equity allocation in 2009, 2013, and 2015, for instance, had benefited investors.

Q&A

Domestic growth gives leg-up to stocks

Nifty Pharma index is in the green in CY20 after four years of losses; seen outperforming peers

RAM PRASAD SAHU
Mumbai, 7 April

The Nifty Pharma was the second biggest gainer among sectoral indices, rising 10.4 per cent on Tuesday. In addition to the market rally, analysts believe it will be among the few sectors to post strong revenue and profit growth in the March 2020 quarter.

Besides domestic demand, there could be higher export orders — not just for Covid-related drugs but also for other formulations. The sector, once considered a 'safe bet', has been trailing the benchmark indices for four years now. In CY19, for example, even as the benchmarks delivered 12 per cent returns, the health care index declined over 9 per cent — a 21-percentage point difference.

Since the start of CY20, however, the sector's fortunes have changed. Recovery in domestic sales growth, stability in revenues (against the sharp drug price erosion earlier) in key developed markets, a depreciating rupee, and attractive stock valuations are expected to help the sector outperform its peers.

Some of the gains are reflected in the health care index, which has risen marginally by 1.3 per cent in one month. In comparison, the benchmarks have witnessed a dip of 20 per cent.

Analysts at CLSA believe earnings of pharma firms are relatively secure in a vulnerable market. It is the only sector where brokerages have revised their earnings estimates upwards for the coming year. The key trigger is the trajectory in the domestic market, which has been growing upwards of 10 per cent, thanks to an uptick in pricing, and healthy volumes.

RECOVERY IN 2020

	Returns (%) Nifty	Nifty Pharma
CY14	31.4	43.4
CY15	-4.1	9.3
CY16	3.0	-14.2
CY17	28.7	-6.3
CY18	3.2	-7.8
CY19	12.0	-9.3
CY20 YTD	-27.8	1.1

Price in ₹	Feb 28, '20	Apr 07, '20	Chg (%)
Nifty Pharma	7,576.8	8,124.9	7.2
Nifty 50	11,201.8	8,792.2	-21.5
Gainers			
Cipla Ltd/India	402.1	492.3	22.4
Dr Reddy's Lab	2,927.1	3,583.2	22.4
Cadila Healthcare	260.1	312.4	20.1
Sun Pharma	372.9	417.4	11.9
Biocon	286.9	318.3	10.9
Lupin	640.0	700.1	9.4
Losers			
Piramal Enterprises	1,306.6	912.1	-30.2
Glenmark Pharma	277.6	228.0	-17.9
Aurobindo Pharma	505.5	445.7	-11.8
Divi's Labs	2,107.0	2,067.9	-1.9

Filtered for NSE Pharma Members
Compiled by BS research Bureau
Source: brokerages, exchanges

Growth was driven by both the acute and chronic segments.

CLSA believes the industry has strong growth drivers — rising penetration of medicines, increasing affordability, and growing incidence of chronic disorders such as diabetes, cardiac, and oncology therapies.

After two months of single-digit growth, the figure touched 12 per cent in February for the sector, led by price hikes. Analysts expect the current double-digit growth rates to sustain, which will help boost the top line and domestic operating profit margins of pharma firms. While multinationals get almost all their revenues from India, Sun Pharma, Lupin, Cipla, and Cadila Healthcare get about 40 per cent of sales and over half their earnings from domestic operations.

In the US, too, analysts expect steady profitability in the next couple of quarters. Antique Stock Broking's Kunal Randeria is positive on the US market as drug shortages are near five-year highs.

Further, he adds India is relatively well-placed to scale up due to the lower impact of Covid-19. This will help firms supply more to the US and EU. He also highlights that if shortages increase, plants under the USFDA's Warning Letters could see exemptions for certain products.

The brokerage believes companies with a strong domestic franchise and growing US business with pipeline visibility are unlikely to disappoint on the earnings front. Moreover, valuations have turned attractive. Most pharma stocks are available at valuations lower than five-year averages. Antique highlights Cipla and Dr Reddy's in the large-caps and Alkem in the mid-cap space as its top picks, while CLSA prefers Sun Pharma, Cipla, Cadila, and Abbott India.

THE COMPASS

IT catches Covid bug: Sector's outlook takes a hit

Analysts expect top line pressure to reflect from Q4 itself

SHREEPAD S AUTE

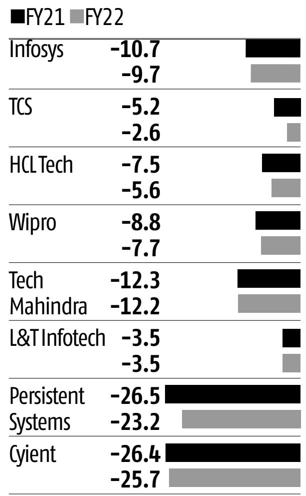
Information Technology (IT) stocks, which were considered as 'defensive' until recently, have been under heavy pressure due to demand concerns caused by the outbreak.

The Nifty IT index has shed close to 20 per cent in a month, in line with the Nifty50. The expected earnings pressure, mainly on account of a tepid top line, is weighing on sentiment.

Analysts expect top line pressure to start reflecting from the March quarter itself, given the supply-side disruption amid the lockdown and business disruption in key markets such as the US and Europe. Besides lower billing and utilisation (lower productivity on account of travel restrictions), the disruption will also hit margins, despite a sharp depreciation in the rupee.

The major impact will be felt in H1FY21 (April-September 2020), with demand from clients expected to be sluggish. This will hurt earnings visibility for the entire FY21, given the first half is typically vital for the sector. This is when most of their clients announce their IT budgets.

EARNINGS PRESSURE



EPS estimates; EPS: Earnings per share
Source: HDFC Securities

Therefore, analysts at HDFC Securities have slashed their earnings estimates by up to 12 per cent for top IT players, and by a sharper (up to 28 per cent) magnitude for mid and small IT companies.

According to Sanjeev Hota, head (research) at Sharekhan: "The rapid spread of the virus has caused disruption in the supply side, and is likely to impact demand in the near term, driven by the cut in discretionary spending by clients, lower billing, and pricing pressure."

This will impact IT firms' financial services segment (mainly on account of lower global interest rates) and the retail sector, and consequently take a toll on overall revenue growth, as these two segments contribute 30-45 per cent to revenues of most players. Other analysts expect no growth in 2020-21 (FY21).

Besides, deal execution and new deal wins are likely to take further hit, as travel restrictions are expected to continue even after the lockdown. Thus, the revenue growth guidance for FY21 by IT firms is likely to be the lowest in many years.

Recently, Accenture — which follows a July-August accounting period — had cut its 2019-2020 revenue growth guidance sharply to 3-6 per cent, from 6-8 per cent earlier, due to the impending two-quarter (April-August 2020) coronavirus impact.

Analysts at Phillip Capital say Indian IT companies' FY21 financials will face double the hit Accenture has.

While the extent of the lockdown is uncertain, analysts expect gradual recovery to start from Q3FY21. However, once the situation normalises, IT spends are likely to see a sharp recovery, with increased demand for Cloud migration, network management, and security, etc.

For now, investors are recommended to wait till clarity emerges on client spending.

TVS Motor on a weak footing in two-wheeler space

Brokerages prefer Bajaj and Hero, given its weak financial profile and premium valuation

RAM PRASAD SAHU

Two-wheeler stocks were among the biggest gainers on Tuesday on beaten-down valuations and expected recovery in the segment.

While all the two-wheeler stocks were up, gains for Hero MotoCorp and Bajaj Auto at 12 per cent each were more than twice that for TVS Motor.

Given the uncertain near-term outlook, brokerages prefer market leaders with financial muscle, such as Hero MotoCorp and Bajaj Auto, over TVS Motor.

Nishit Jalan and Nikhil Kale of Axis Capital highlight that TVS Motor is the weakest in the two-wheeler sector in terms of balance sheet strength, as well as margins.

They believe the only leveraged player in the two-wheeler space is more vulnerable to the steeper industry slowdown and competitive pressures.

While Bajaj Auto's and Hero MotoCorp's margins for 2019-2020 (FY20) are estimated at 14-16 per cent, for TVS Motor the metric is expected to be half of that.

The weaker positioning of the company has also prompted analysts to cut their earnings estimates for 2020-2021 and 2021-2020.

After commercial vehicle majors Tata Motors (standalone) and Ashok Leyland, TVS Motor's earnings per share estimates have seen the sharpest downgrades — 25-33 per cent.

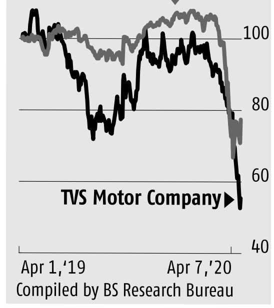
While brokerages expect volumes to recover gradually in the second half of the current financial year on the back of pent up demand, TVS Motor will have a difficult time defending its market share.

While Hitesh Goel and Rishi Vora of Kotak Institutional Equities rule out any aggressive discounting by the larger players, they indicate this would be a potential risk as TVS does not have the balance sheet strength to reciprocate. TVS Motor is likely to end FY20 with standalone net debt of around ₹1,800 crore.

Bajaj Auto is expected to have net cash of ₹14,000 crore, while for Hero the cash levels are pegged at ₹8,000 crore for FY20, according to Axis Capital.

Finally, despite the weak earnings outlook, the stock is trading at a premium to peers.

TVS Motor is trading over 25X one-year forward earnings estimates, which is at a 70 per cent premium to Bajaj Auto and Hero MotoCorp.



Compiled by BS Research Bureau

Morgan Stanley sees $7-billion inflow for India on MSCI rejig

LIKELY BOOST TO INDIA WEIGHTING IN MSCI EM BY 55bps

In $ million	Current	New
MSCI India Free float (FF) market cap	356,569	384,866
MSCI India's free float factor	0.39	0.42
MSCI India weighting in MSCI EM	7.60%	8.10%
Change in weighting		0.55%
Implied passive inflows		1,433
Implied active inflows		5,733

Source: Morgan Stanley report

PUNEET WADHWA
New Delhi, 7 April

With India swiftly responding to the delay in notifying sector-wise limits for investment in stocks by overseas investors, analysts at Morgan Stanley expect MSCI to rebalance its India weighting in the emerging market (EM) index to reflect this change, along with removing DRs (depository receipts) in the foreign ownership limit (FOL) calculation. As a result, they estimate $1.3 billion passive inflows into Indian equities spread across a bunch of stocks. Besides, Morgan Stanley pegs active inflow to the tune of $5.7 billion — taking the estimated total flows to nearly $7 billion.

In October, the Indian government had issued a circular raising the statutory foreign portfolio investor (FPI) limit of Indian companies to the sectoral foreign investment limit, effective April 1, 2020. However, MSCI last week put off the rebalancing and said it would wait for the practical implementation of these changes and the systematic publication of the new sectoral limits applicable to Indian securities before making any changes to the MSCI indices.

"This change is an attempt to fix MSCI India's low float compared to the global markets. Over the next few months, we expect MSCI to rebalance MSCI India weights to reflect this change, along with removing DRs (depository receipts) in the FOL calculation. We estimate MSCI India's weight in EM to rise by 55 basis points (bps) and India's foreign inclusion factor (FIF) to rise from 0.39 to 0.42," wrote Ridham Desai, head of India research and India equity strategist at Morgan Stanley, in a co-authored report with Sheela Rathi. Nearly a third of the current constituents, Morgan Stanley says, will see an increase in their stock weighting whenever MSCI considers this rebalancing.

Gold price climbs to record high

Appreciating ₹ restricts jump, but global monetary easing likely to push the yellow metal upwards

DILIP KUMAR JHA
Mumbai, 7 April

The price of gold jumped 2.14 per cent to reach a record high on Tuesday on the expectations of further monetary easing by developed countries to prevent their economies from going into recession. This is supporting the yellow metal's safe-haven appeal amid falling interest rates, and thereby returns from other asset classes.

Standard gold in the popular Zaveri Bazaar here surged ₹940 to trade at ₹44,700 per 10g, as against ₹43760 on Monday. Gold futures for delivery in June jumped 2.82 per cent to trade at ₹44,955 per 10 gm in the late afternoon trade on the Multi Commodity Exchange of India (MCX). Silver for delivery in May rose 5.41 per cent to trade at ₹43,455 a kg.

Since physical markets are closed, usual dealings in gold are not happening. But major buyers are purchasing gold based on the promise that they will their deliveries at a future date.

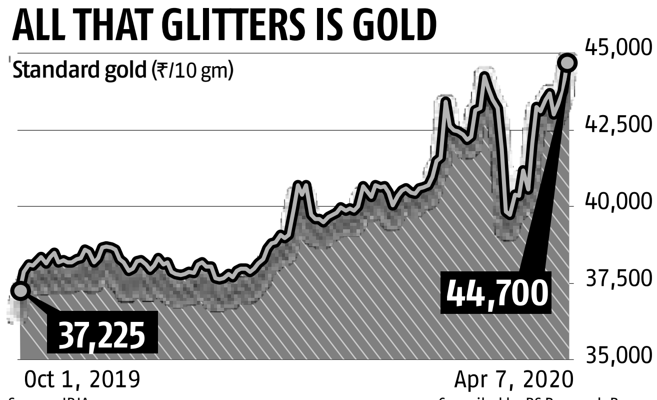
To prevent coronavirus from spreading, several countries, including India, have announced lockdown, bringing business activities to a grinding halt and triggering global recessionary waves. Hence, investors have found gold as the only option to park their funds for future earnings.

"The US, the world's largest economy, has been the worst hard by the Covid-19 pandemic. With no respite in sight in the near future, monetary easing — coupled with safe-haven buying, along with high returns offered during this difficult time -- has made gold a preferred choice for investors," said Gnanasekar Thiagarajan, director, Commtrendz.

Gold is currently trading around $1,703 an ounce in the international futures market. At the London spot market, the metal was trading at $1,654.74 an ounce. It the international market had set the record of $1,950 an oz in 2011.

In India, gold has offered nearly 20 per cent returns in less than a month. With all other asset classes, including equity, bonds, and real estate, posting negative returns, especially since the Covid-19 outbreak in late December and January in China, gold has proved the only asset to have yielded positive returns.

ALL THAT GLITTERS IS GOLD



Source: IBJA Compiled by BS Research Bureau

"Strengthening rupee against the dollar has limited the jump in gold and silver prices in India," said Naveen Mathur, director, Anand Rathi Shares and Stockbrokers. The Indian currency has strengthened 49 paise to close at 75.64 against the US dollar on Tuesday. Meanwhile, Thiagarajan forecasts the price of gold to rise to $1,750 an oz and further to $1780 an oz in the international market, translating into ₹47,000-47,500 per 10g in India.

Analysts are also staring at the Opec meeting scheduled on Thursday for the crude oil output cut. The proposed 1.5 million barrel per day of production cut would nullify part of its decline in its global demand, and hence, would not make much difference in either crude oil price or global economy. International Brent oil futures were trading at $33.9, which was around $28 per barrel two days ago. On the MCX Crude oil was trading at ₹2,064, up 0.8 per cent.

With almost all the leading commodities trading upwards, the MCX iComdex shot up 2.66 per cent to 8776.98 points in the late afternoon trade on Tuesday. Waning demand, however, has pulled down 1-carat diamond May futures on the Indian Commodity Exchange by 0.9 per cent to ₹3,800.5 per carat.

New cybercrimes in the time of Covid-19 crisis

A variety of phishing campaigns are taking advantage to distribute malware, steal credentials, and scam users

BINDISHA SARANG

The entire world is currently worried about containing Covid-19. But at the same time, there is an entire ecosystem that is riding piggyback on this pandemic to carry out financial frauds. And these start right from creating a fake PM CARES link for donations, equated monthly instalment (EMI) moratorium frauds, and malware in real-time apps that provide details of Covid-19 patients near you. Tragically, people are falling for these because of the overall fear. For example, a 46-year-old lost more than ₹1 lakh after downloading a real-time neighbourhood patient detection app.

Murali Urs, country manager, India of Barracuda Networks, says: "As much of the world grapples with Covid-19, attackers are taking advantage of the widespread discussion in emails and across the web."

Mobile apps: Currently, there are many virus-related apps, which are actually malware asking for various permissions and inadvertently gain access. Raman Singh, co-founder and CRO, CloudConnect Communications, says: "The department of telecommunications recently announced a list of websites around Covid-19 with high malicious content, including fake maps showing infected users. These require the users to download software for generating counterfeit maps, making it a security concern." In short, beware of what you download, and more importantly, the permission you give.

Tip: Ask why does the app need to read my SMSes, or permission to record/make calls from my mobile to give me a heat-map?

Email frauds: It is the most typical route for fraudsters to reach out to you, as email database is readily available on the darknet. Himanshu Dubey, director, Quick Heal Security Labs, says: "Some of these emails claim to be from the WHO or some legitimate-sounding names, well-written, and provide information close to the WHO guidelines." In short, the fraudster lures you into opening an attached file." Once you open the file, a malicious virus or malware is downloaded on your device, which steals information either by key-logging or pulling browser history. The most significant risk is they can get access to your financial credentials. Urs adds: "Watch out for any communication claiming to be from sources that you normally do not receive emails from." Phishing emails ask you to open into a very familiar looking website like your bank, but the site is fake and steals your credentials.

Tip: Never save website passwords, as they are easily accessible to info-stealing malware. Always access your financial data by typing your bank's web address manually in the browser rather than opening links.

Donations, cures, and masks scams: Urs says: "Scamsters are looking to sell coronavirus cures or face masks, or they are asking for investments in fake companies that claim to be developing vaccines. Our researchers have also seen phishing scams in the form of donation requests for fake charities."

Tip: Don't open emails that promise cure, treatment or seek charity. Instead, find credible institutions, type their websites in browsers manually and donate to them directly.

EMI fraud: Here fraudsters contact you and ask for OTP to activate the EMI moratorium. Naveen Kukreja, CEO and co-founder, Paisabazaar.com, says: "Opting in or out of the moratorium does not require OTP sharing." Your lender will get in touch with the EMI deferment option via links, email-id and numbers of the contact person who will never ask for OTP.

Tip: If your banker asks you for OTP, he is a fraudster.

YOUR MONEY

WORKING FROM HOME?

- When using a personal laptop for office work, create a separate user account
- When using an office laptop home, avoid it for personal work
- Work devices should have proper antivirus and VPN tunnel, so only encrypted data can be transferred
- Use robust passwords, which aren't a word and have multi-factor authentication; make those long
- Change your home WiFi default settings and passwords to reduce the potential impact of an attack via other connected devices

Stocks that drove Nifty off coronavirus lows

The markets have rebounded nearly 15 per cent from their coronavirus lows logged on March 23, when the Nifty had posted its biggest single-day loss to end at a four-year low of 7,610. The index jumped 9 per cent jump on Tuesday to end at 8,792, gain of 1,182 points in two weeks. Barring three stocks — Eicher Motors, Shree Cement and Bajaj Finance — all the Nifty components have gained during this two-week period. However, the share prices of only 23 Nifty companies have bettered the benchmark. Further, only eight stocks have accounted for nearly two-thirds of the gains. Among the biggest contributor to the Nifty spurt from the March 23 low is Reliance Industries. Shares of the Mukesh Ambani-led firm has been the biggest gainer and also the largest contributor to the index gains. It has rallied 36 per cent and have accounted for 21 per cent of the Nifty's 1,182-point gain. HDFC Bank, Infosys, and Hindustan Unilever have been the next largest contributors, even though aren't the biggest gainers. The notable laggards are automobile, NBFC and metal stocks.

SAMIE MODAK

DRIVING THE GAINS

Only 8 stocks have accounted for 66% of Nifty gains

Leaders	Chg (%)	Laggards	Chg (%)
RIL	36.43	Eicher Motors	-4.45
Britannia	32.59	Shree Cement	-1.92
Nestlé	31.63	Bajaj Finance	-0.56
Cipla	31.18	Tata Motors	1.59
HUL	30.76	Tata Steel	1.86

Source: Bloomberg

Back-to-back gains for global stocks; oil slips

AGENCIES
7 March

Global stocks headed for their first back-to-back gain in two weeks on continuing optimism that the deadly coronavirus pandemic may be waning in some key epicentres. While most Asian markets surged, a second day of gains in European equities put the region's benchmarks from Italy to France and Germany on course to exit a bear market.

The US markets, too, were in the green. The S&P 500 was set for its biggest two-day gain in nearly two weeks, building on a 7 per cent jump on Monday, as health officials said the pandemic may kill fewer Americans than recent projections.

The MSCI Asia Pacific Index climbed about 1 per cent after advancing almost 3 per cent Monday.

In Europe, the Euro Stoxx 50 Index of bluechip shares rose more than 20 per cent from last month's closing low, as did the FTSE MIB Index, the CAC 40 Index and the DAX Index.

On the other hand, oil edged lower on uncertainty over whether the world's biggest producers — Saudi Arabia and Russia — would agree to cut output in the face of a swelling crude oil glut as fuel demand has been hammered during the coronavirus pandemic.

BRENT CRUDE
$32.47/bbl
-1.75%
till 11.43 pm

Brent crude fell 58 cents to $32.47 a barrel by 11.43 pm IST, while West Texas Intermediate crude lost 92 cents to $25.16 a barrel. "The market is indicating it wants some more certainty on whether the Russians and Saudis will strike a deal to limit supply," said Gene McGillian, vice president of market research at Tradition Energy.

GREEN TERRITORY

	Country	Apr 7,'20	1 day % chg
America (22:00 IST)			
Dow Jones	US	23,362	3.01
S&P 500	US	2,738	2.80
Nasdaq	US	8,076	2.05
Europe			
DAX	Germany	10,357	2.79
Euro Stoxx 50 Pr	Eurozone	2,856	2.16
FTSE 100	Britain	5,704	2.19
CAC 40	France	4,438	2.12
Asia			
Straits Times STI	Singapore	2,572	4.10
Hang Seng	Hong Kong	24,253	2.12
Nikkei	Japan	18,950	2.01

Compiled by BS research Bureau Source: Bloomberg

COMMODITIES

PRICE CARD

As on Apr 07	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,424.5	-20.6	1,851.1	-8.9
Copper	4,867.0	-20.7	5,460.8	-16.0
Nickel	11,162.0	-19.5	11,833.9	-18.7
Lead	1,629.5	-14.5	1,824.7	-16.0
Tin	14,407.0	-15.0	14,676.7	-17.0
Zinc	1,854.5	-21.0	1,983.3	-22.6
Gold ($/ounce)	1,660.1*	5.4	1,838.3	5.1
Silver ($/ounce)	15.3*	-17.0	17.4	-14.8
ENERGY				
Crude Oil ($/bbl)	28.9*	-57.8	24.3	-65.3
Natural Gas ($/mmBtu)	1.8*	-16.2	1.8	-17.0
AGRI COMMODITIES ($/tonne)				
Wheat	194.3	1.2	245.3	-22.9
Maize	181.2*	-5.0	201.8	-30.5
Sugar	331.0*	-8.8	455.6	-6.4
Palm oil	577.5	-26.2	945.4	-22.0
Rubber	1,256.4*	-22.6	1,679.2	-8.6
Coffee Robusta	1,204.0*	-9.3	1,765.2	-4.7
Cotton	1,170.0	-24.0	1,282.6	-20.7

* As on Apr 07, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 75.68 1 Ounce = 31.1032316 grams.

Notes

1) International metals, Indian basket crude, Malaysia Palm oil, Wheat LIFFE and Coffee Karnataka robusta pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and Domestic Crude oil is Indian basket.
4) International Natural gas is Nymex near month future & domestic natural gas is MCX near month futures.
5) International Wheat, White sugar & Coffee Robusta are LIFF E future prices of near month contract.
6) International Maize is MATIF near month future, Rubber is Tokyo-TOCOM near month future and Palm oil is Malaysia FOB spot price.
7) Domestic Wheat & Maize are NCDEX future prices of near month contract, Palm oil & Rubber are NCDEX spot prices.
8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.
9) International cotton is Cotton no. 2-NYBOT near month future & domestic cotton is MCX Future prices near month futures.

Source: Bloomberg Compiled by BS Research Bureau

First flush harvest of tea goes to waste

Exports under pressure as major buyers battle Covid-19

AVISHEK RAKSHIT
Kolkata, 6 April

Indian tea exports may fall 6-8 per cent this year owing to the Covid-19 pandemic, which has paralysed logistics movement, as well as pushed the global economy towards recession.

Estimates from the Tea Board suggested that because of the loss of the first flush and the wipe-out of Darjeeling tea from the system, there could be a shortfall of 16-20 million kg (mkg) this year in export volumes. Moreover, if the production and quality in the second flush, beginning in May, is affected, the export shortfall may worsen.

A 20 mkg shortfall at last year's unit prices would translate into a trade deficit of over $64 million. Tea exports last year was already on the decline — at 248.29 mkg, as compared to 256.06 in 2018 because of various geopolitical factors in West Asia, Brexit, and other issues.

According to a Tea Board official, since major exporting destinations — the US, the UK, Japan, and Iran — are currently grappling with the pandemic and their economies are taking a hit, the demand for tea, which is a discretionary spend, may go down. Also, consumers can opt to downgrade their purchase, which will hurt Indian exports.

The blow comes just at a time when unit prices of Indian tea were on the rise for its better quality. The unit price in the UK improved from $2.96 a kg to $3.07 a kg in 2019, while in Iran, the largest destination for Indian tea exports, the price improved from $3.73 a kg to $3.91 a kg. In Ireland as well, the price soared from $6.62 a kg to $8.72 a kg last year.

"Iran is undergoing sanctions, and on top of this, there is the crude oil crisis. If the Iranian economy takes a hit, it will hurt Indian tea exports," an exporter from Kolkata said. As the pandemic struck India, the production of tea also suffered and this coincided with the first flush harvest.

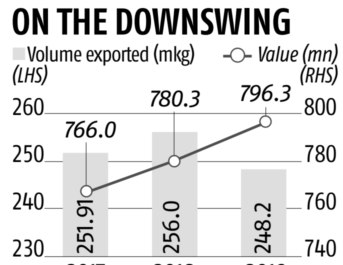
Estimates suggested nearly 90 per cent of the produce from Dooars in West Bengal gone to waste owing to the lockdown, while in Darjeeling, 0.8 mkg of prime tea — incidentally one of the costliest tea — has been lost.

"The entire production from Darjeeling is lost which is worrying," said Atul Asthana, managing director of Goodricke Group.

Prime boutique tea from Darjeeling, usually sold at exorbitant prices, is primarily shipped to Japan and Germany. Plantation companies said there have been some export enquiries from global buyers which is an encouraging sign.

But then, samples cannot be sent as courier and shipping services have stopped and exporters are worried about the availability of containers to export destinations once the situation eases.

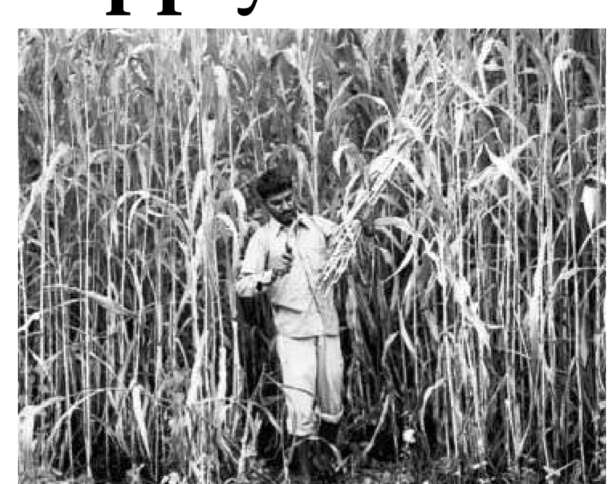
ON THE DOWNSWING



Source: Tea Board of India

Sugar mills seek third ethanol supply tender

DILIP KUMAR JHA
Mumbai, 7 April



The excess production is a major issue as mills had planned to expand ethanol production. With Uttar Pradesh being the largest sugar producer, mills in the state took the lead in urging for another tender

Sugar mills have urged government-owned oil marketing companies (OMCs) to float the third tender for ethanol procurement because of the expectations of excess production of the green fuel on additional quantity of cane being crushed this season.

The excess production is a major issue as mills had planned to expand ethanol production. With Uttar Pradesh being the largest sugar producer, mills in the state took the lead in urging for another tender.

In a letter addressed to three government-owned OMCs — Indian Oil Corporation (IOCL), Bharat Petroleum Corporation (BPCL), and Hindustan Petroleum Corporation (HPCL), the apex industry body, Indian Sugar Mills Association (ISMA), urged to float a fresh ethanol procurement tender to help sugar mills/distilleries supply more green fuel for blending with petrol and reducing the oil import bill proportionately.

Over the last few years, the government has encouraged sugar mills/distilleries through policy support to supply ethanol to OMCs and fixed a target to achieve 20 per cent of blending in a couple of years.

"There are a few sugar mills/distilleries which are eager to supply more ethanol to the OMCs in the current year. It is therefore requested a fresh expression of interest (EoI) may be floated at the earliest to accommodate such sugar mills/distilleries," said Abinash Verma, director-general, ISMA.

The OMCs had floated a second tender for ethanol to supply the petrol-blending programme.

They want a total of 2.53 billion (bn) litre, for supply between February 1 and November 30. In response to the first tender, floated in September 2019, the mills offered less than a third of what the OMCs asked for.

Of the 5.11 bn litre asked for in the first one floated in September last year, mills contracted to supply only 1.56 bn litre. This was because of estimates of a decline in production this year, following lower cane supply.

The third round of the second cycle of EoI floated in January this year is now over and the OMCs could finalise a total quantity of approx 1.85 bn litre of ethanol for 2019-20.

ISMA has urged the OMCs to consider a five-day window in the beginning of every subsequent month where without an EoI, sugar mills /distilleries which have set new capacities or expanded their existing capacity or which want to supply more ethanol, can express their interest/give offers during this period.

Advertising the art of doing nothing

As the global becomes local under the wide spread of Covid-19, brands across the world beat their drum to a single note: stay in, stay safe

DHRUV MUNJAL
New Delhi, 7 April

Late last month, even as most governments were still dithering over the way forward with public health, safety and worrying about how to carry on with business as usual, global sports brand Nike put out a post on all its social media channels. The brand that is known for the strong stand it has taken on a range of issues was doing something quite unprecedented.

As a sports brand committed to the outdoors and physical activity, Nike asked its followers to do nothing. "Play inside, play for the world," its post read. Within hours, customised versions of the same lit up the timelines of Nike's star athletes, including LeBron James, Cristiano Ronaldo, Maria Sharapova and Odell Beckham Jr.

Ever since brands in almost every part of the world and across categories have played a variant of the same message. In a post Covid-19 world, a common advertising narrative has become the norm for brands of all shades and sizes. The global has truly become local and vice versa.

Ashish Mishra, CEO Interbrand says, "It is not the time for cleverness or gimmicks. It is the time to be honest and compassionate. To offer any and all kinds of supports. Especially if your organisation and brand purported to celebrate such values ever. This is the time to live those values and that brand."

For most brands that has meant eschewing the instinctive call for action, an integral part of all communication. Consider global sports retailer Decathlon that focuses on offering an active, outdoorsy lifestyle. Under lock down, the retail brand's website is a virtual storefront for yoga classes, exercise and a community building space for people.

Asian Paints, the Tata group, the social media platforms, broadcasters and OTT platforms are all on the same trail. Asian Paints users are sending in short videos of their homes under lock down. Tata Sky has do-it-yourself tips and videos to keep people engaged. The latest to join the bandwagon is the film industry. Actors Amitabh Bachchan, Ranbir Kapoor, Diljit Dosanjh, Alia Bhatt, Priyanka Chopra have all come together to ask people to stay in and stay safe, a tagline that knows no boundaries and cuts through all contexts.

With inputs from Arundhuti Dasgupta

(Left to right) **Asian Paints, Amitabh Bachchan and a troupe of movie stars and Decathlon are among a host of brands asking people to stay indoors**

THE NIKE WAY

Anyone who's had a chance to go through Nike founder Phil Knight's memoir, Shoe Dog, can vouch for the fact that the man behind the swoosh is notoriously media-shy. His company's commercials, however, are anything but, reflecting a bold, outspoken approach that has emerged as a gold standard of sorts in the global advertising space.

Today for many, Nike is that one brand that leads the way when it comes to making a public statement and impact with its advertising. The sportswear giant is synonymous with delivering commercials that explore social and political themes — intrepid, uplifting campaigns inevitably offering a wider comment on the kind of world we live in. The most audacious of which, perhaps, was the Colin Kaepernick commercial from 2018. Designed to mark three decades of the first-ever "Just Do It" ad, the two-minute clip showed Kaepernick — the former San Francisco 49ers quarterback who kneeled during the American national anthem in 2016 to protest police brutality and racial inequality in the US — asking people if "their dreams were crazy enough".

The ad had riled many. President Donald Trump tweeted, "What was Nike thinking?", even as thousands across the country burnt their Nike trainers and apparel. Worse, the immediate aftermath saw the company's shares slip 3.2 per cent and #NikeBoycott become a worldwide trend.

But once Nike rode out the initial backlash, not only did the shares bounce back, but sales over the next year went up by as much as 31 per cent. A year later, it came out with "Dream Crazier", a spine-tingling sequel to the Kaepernick video that paid tribute to female athletes, encouraging them to obliterate barriers of gender bias.

Nike's tendency to stick its neck out does come with a set of riders, however. In 2018, six-time Olympic gold medallist Allyson Felix and Nike locked horns over the brand's attitude towards her pregnancy. But all that is now history and Nike, by pledging $15 million to fight Covid-19 and allowing customers to use the premium features of its training app for free, is trying to initiate a more direct impact this time around — one that will, hopefully, be as effective as so many of its ads.

FROM PAGE 1

Fly low...

Other measures will include boarding of only three rows at a time to prevent queue near boarding gate or aerobridge. Airports will have to ensure a two-metre distancing during check-in and security check.

"It's easy to maintain social distancing in open spaces. But in confined spaces like aircraft, it's important to take some measures to allow a degree of separation," the official said.

Indian airports will also be asked to make thermal checking of passengers compulsory and limit customer touchpoints. "Thermal screening of all passengers will be there for some time until the virus is declared controlled. Airports will be asked to take suitable steps," a health ministry official said. Industry executives argued that such stringent measures will make it unviable for the airlines to operate and may logically push up fares significantly. However, with low demand for travel, any drastic increase may be a challenge.

According to aviation consultancy firm CAPA, India's aviation industry is expected to post losses of $3-3.6 billion in the June quarter because of the coronavirus outbreak. Falling demand would leave Indian carriers with 200-250 surplus planes over the next 6-12 months, it said.

"It's better to keep the aircraft grounded than operate with 80 seats less. Airlines didn't make money with aircraft 90 per cent full," said an airline official.

"If I was flying 180 seats between Delhi to Mumbai charging a minimum fare of ₹5,000, reduction of 80 seats will mean that the minimum fare should be ₹10,000. In such times, who will pay that to fly," the official asked.

Indices record ...

While the absolute amount was relatively small, market players said the positive number was a huge sentiment booster. In March, FPIs pulled out a record ₹62,000 crore from domestic equities. Experts said some investors had turned bullish as the lockdown measures had proved effective in containing the spread of the virus.

"Until a few days ago, the markets closely tracked the change in daily new cases, but they are now focusing on the rate of change of daily new cases, which is decelerating," Abhiram Eleswarapu, head of equities, BNP Paribas India, said.

Lockdown...

In what looked like a sign for things to come, Indian Railway Catering and Tourism Corporation (IRCTC), the listed arm of the Indian Railways, cancelled two Tejas trains and Kashi Mahakal Express till April 30. Last year, the Indian Railways had handed over the running of the three services as corporate trains to ITCTC.

While the Tejas trains run on Lucknow-Delhi and Mumbai-Ahmedabad routes, Kashi Mahakal covers the Varanasi-Indore region. IRCTC said in a statement Tuesday evening that these trains were being cancelled in view of the Covid19 situation. Full ticket fare would be refunded, it said.

Top officials of the Indian Railways had a review meeting on Tuesday to discuss restarting the operations on April 15 once the three-week lockdown ends. Even as the operations of passenger trains were stopped from March 22, the national transporter later allowed bookings for train tickets starting April 15.

In yet another signal that the government may look at an extension of the lockdown, Vice President Venkaiah Naidu had said in a statement earlier in the day, "let's live with the hardship a little longer for a better tomorrow".

However, health ministry joint secretary Lav Agarwal during a press briefing on Tuesday refused to give anything away on the lockdown issue. He only said social distancing worked like a "social vaccine" in managing Covid-19. "Whenever a decision is taken, it will be informed," he said.

A meeting of Prime Minister Narendra Modi with leaders of opposition parties is due on Wednesday. The PM is expected to discuss the idea of extending the lockdown beyond April 15 for a few more weeks.

The proposal of lifting the lockdown in a staggered manner, suggested by the health ministry earlier, is on the verge of being scrapped because it is too impractical to implement. A final decision on an extension or otherwise could be announced after April 10, when the PM holds another round of consultations with chief ministers.

The Centre signalled that while it was sympathetic to the pain of factories, information-technology installations, micro, small, and medium enterprises (MSMEs), and other entities that wanted the lockdown to end, it was state governments that were piling on the pressure to extend it.

The Uttar Pradesh government, which is led by the Bharatiya Janata Party (BJP), for instance, let it be known that its health facilities were stretched to the seams. While the government had earlier identified 10,000 isolation beds in district hospitals for the treatment of Covid-19 patients, if that number doubled to 20,000, it had a contingency plan in place of hiring hotels, lodges and hostels in the vicinity of these government hospitals, it said. Private facilities would serve the asymptomatic patients, who might have tested positive but showed no symptoms, UP Medical, Health and Family Welfare Principal Secretary Amit Mohan Prasad said.

(With inputs from BS Reporters in Lucknow, Raipur, Kolkata, and Bengaluru)

Cash-starved...

"The state loans don't get traded in the market, so the demand is less for them anyway. The market timings have also been curtailed, so it is difficult to gauge the demand. The market is expecting some support from the RBI," said Devendra Dash, head of asset-liability management at AU Small Finance Bank.

The bond and currency markets closed at 2 pm on Tuesday, from its usual 5 pm. The markets will function between 10 am and 2 pm till April 17 due to Covid-19-related disruptions.

"With work from home becoming norm, a few people can initiate fresh positions from home. Also with new rules for moratorium on loans, banks will have to be mindful of liquidity position as previously budgeted inflows may not be happening," said Harihar Krishnamurthy, head of treasury of First Rand Bank.

The states' ₹1.27 trillion borrowing plan for the quarter, along with the Centre's ₹19,000-21,000 crore weekly borrowing has not been supported by any OMO announcement by the RBI yet. The market was also hoping that the Centre would place a portion of the borrowing directly with the RBI, but that also did not happen. Instead, the government said it planned to borrow 63 per cent of its entire programme, or ₹4.88 trillion, from the market in the first half of the fiscal.

For the most part of the day, the bond market remained busy dealing with state development loans (SDLs). But the G-sec regular bond trading was similar to how the markets operated last week.

The volume traded was ₹17,420 crore, with the 10-year bond generating volume of ₹2,730 crore. The 10-year bond yield closed at 6.42 per cent, up 10 bps from its previous close.

BS SUDOKU # 3019

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SOLUTION TO #3018

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

Medium: ★★★

Solution tomorrow

HOW TO PLAY

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

One can infect 406 in no lockdown: ICMR

- IF 75% OF THE CURBS ARE LIFTED, THE SAME PERSON WOULD INFECT 2.5
- 107,006 TESTS FOR COVID-19 HAVE BEEN CONDUCTED TO DATE

RUCHIKA CHITRAVANSHI
New Delhi, 7 April

The Indian Council of Medical Research (ICMR) has estimated that one sick person could infect up to 406 others in 30 days if there was no lockdown, health ministry officials said on Tuesday as the number of confirmed coronavirus cases climbed to 4,789.

The ICMR study comes at a time when various state governments have requested the Centre to extend the 21-day lockdown beyond April 14.

The study talks about a scenario where 75 per cent of the lockdown is lifted. In such a situation, the same person would infect 2.5 persons.

"It is important to adopt lockdown measures, as it has been said that social distancing is the social vaccine. We request everyone to help us help you," said Lav Agarwal, joint secretary, health ministry.

CORONAVIRUS PANDEMIC

The ICMR had earlier estimated the R-naught, or Ro, a unit which measures how many people one patient can infect, between 1.5 and 4. For its latest study, ICMR assumed the Ro to be 2.5. One of the highest Ro was seen in measles — 10.

Raman R Gangakhedkar, head of ICMR's epidemiology and communicable diseases division, told the media that 107,006 tests for Covid-19 had been conducted till Tuesday. Around 136 government labs are engaged in this exercise and another 59 private labs have been permitted to carry out these tests.

The health ministry has also devised a strategy to manage the Covid-19 patients based on the level of illness. For those with mild infection, a Covid care centre will be provided using lodges, hostels, stadium, upgrading existing quarantine facilities.

For a moderate-level infection, a dedicated Covid health centre with assured oxygen support will be put in place with separate exit and entry to stop the spread of infection. The severely infected patients will be admitted in Covid health hospitals with intensive care units, ventilators, and oxygen support.

"Guidance has been given to states to manage cases at the field level... States and Union territories have been told to give attention to adequate oxygen availability," Agarwal said.

The Indian Railways has converted 2,500 coaches to create 40,000 isolation beds and is in the process of converting another 375 coaches into isolation units across 133 locations in the country.

He also said that the government's containment strategy has shown great results in cities such as Agra, Gautam Budh Nagar, Bhilwara and Pathanamthitta.

Staff of a government-run medical college collects swabs from people to test for Covid-19 at a newly installed walk-in sample kiosk in Kerala's Ernakulam PHOTO: REUTERS

MAHARASHTRA TALLY CROSSES 1,000-MARK

- 150 test positive in Maharashtra, taking tally to 1,018; 12 fresh deaths take the toll to 64
- Petition to CJI seeks complete ban on activities of Tablighi Jamaat with immediate effect
- In MP, cops, govt staff to get ₹50-lakh insurance cover
- BSF cancels all movement of troops till April 21
- Delhi records 2 more Covid-related deaths
- 6 test positive in UP, cases at 314
- 'Be infected with coronavirus,' lawyer curses Calcutta High Court judge after unfavourable verdict
- Centre may require additional ₹5 trillion to support economy, says former finance secy S C Garg
- Airlines not refunding for cancelled flights due to lockdown, allege travel agents
- IndiGo and SpiceJet operate relief flights

Suspend Central Vista project to save money: Sonia Gandhi to PM

Congress President Sonia Gandhi wrote to PM Narendra Modi, suggesting five measures to save money for the fight against Covid-19, including suspension of Central Vista beautification project and complete ban on media advertisements for two years. She also called for putting on hold foreign visits by the President, Vice president and Union ministers as well as chief ministers and bureaucrats, and slashing the government's expenditure budget, other than salaries, pensions and central sector schemes, by 30 per cent.

This comes after Modi reached out to several opposition leaders, including Gandhi, on Monday and sought suggestions from them in fighting the fast-spreading coronavirus.

Later in the day, the News Broadcasters Association "strongly deplored" the suggestion of a ban on media ads, saying it was "highly demoralising" at a time when media personnel, without fearing for their lives, are doing their national duty by disseminating news on the pandemic.

Gandhi had said: "Impose a complete ban on media ads — television, print and online — by the government and PSUs for two years. The only exceptions should be advisories for Covid-19 or for issues relating to public health." PTI

Delhi CM: We will take over private hospitals if needed

Delhi Chief Minister Arvind Kejriwal announced on Tuesday a five-point action plan to contain the spread of coronavirus in the national Capital and said 100,000 random rapid Covid-19 tests will be conducted in the city's hotspot areas. Addressing a press conference via video link, he said the Delhi government will take over private hospitals and 12,000 rooms of hotels in a phased manner if cases constantly rise and reach up to active 30,000 cases in the city. PTI

British PM stable in intensive care; global toll jumps

AFP/PTI
London, 7 April

British Prime Minister Boris Johnson battled the coronavirus in intensive care on Tuesday as death tolls in the United States and Europe reached new heights from the pandemic sweeping the world.

His case has highlighted the global reach of Covid-19, which has put more than half of the planet on some form of lockdown, upended societies and wrecked economies worldwide.

The disease's relentless march across the planet has now claimed more than 75,500 lives out of more than 1.35 million confirmed cases, with warnings that much worse is yet to come.

The number of daily deaths in Spain shot up to 743 on Tuesday, after France on Monday recorded a new surge of 833 fatalities and Italy saw its death toll rise after days of dropping.

New research showed Britain's toll on a steeper trajectory than other nations and predicted as many as 66,000 deaths there by July, far more than Italy.

Johnson himself was moved into intensive care when his condition worsened 10 days after his diagnosis. His spokesman said he was stable overnight and "remains in good spirits".

Sweden, which has not imposed extraordinary lockdown orders seen elsewhere in Europe, reported another 114 deaths, bringing its total to 591.

And the United States — which has by far the most number of confirmed coronavirus cases in the world — recorded 1,150 deaths over 24 hours, Johns Hopkins University said.

There were however glimmers of hope in the daily diet of deadly statistics. Spain said its downward trend in new infections and deaths was continuing and that increases in fatalities on Monday and Tuesday were the result of weekend deaths being tallied.

In China, where the virus originated late last year, there were no new deaths reported for the first time, just a day before it plans to lift travel curbs from the contagion's epicentre of Wuhan.

A woman is seen wearing PPE clothing inside St Thomas' Hospital where UK PM Boris Johnson is admitted PHOTO: REUTERS

UK, NEW YORK SEE DEADLIEST DAY

- **New York** registers record 731 deaths in 24 hours, toll now 5,489
- 786 die in UK; 55,242 test positive, an increase of 3,634 from a day ago
- Virus detected in Wuhan in late Dec, says China; reports no deaths for the first time since the pandemic began
- **Japan** declares state of emergency for Tokyo, Osaka; unveils record $992-billion stimulus package

PHOTO: REUTERS

Less-than-usual passersby at a pedestrian crossing in Tokyo

- **Italy** reports fewest new infections since March 13, may ease lockdown
- ILO says workers facing worst crisis since WWII; layoffs, closures to wipe out 6.7% of working hours in Q2
- US President Donald Trump says the WHO 'blew it', was wrong to advise against travel restrictions on China

Modi calls up his Swedish counterpart, Oman sultan

PRESS TRUST OF INDIA
New Delhi, 7 April

Prime Minister Narendra Modi and his Swedish counterpart Stefan Lofven on Tuesday agreed on the possibility of collaboration and data sharing between researchers and scientists of the two countries, a move which would contribute to the global efforts against Covid-19. Modi later spoke to the Sultan of Oman.

Modi and Lofven also discussed over telephone the novel coronavirus pandemic and the steps being taken in their respective countries for controlling its health and economic impacts.

The PM also spoke to Sultan of Oman Haitham bin Tarikand and discussed ways to limit the impact of the virus. "Spoke to His Majesty Sultan of Oman about Covid-19 and how to limit its impact," the prime minister tweeted.

Modi said he also expressed thanks to the Sultan for his personal attention to the well-being of the Indian community in Oman. An official statement said the two leaders discussed the health and economic challenges posed by the Covid-19 pandemic and the steps being taken by their countries.

"They agreed that both countries would extend all possible support to each other in dealing with the crisis," it said. The Sultan assured the PM of the safety and wellbeing of the Indian community in Oman in the present situation.

90% of trucks are now off roads

SAKET SUNDRIA
7 April

The world's biggest lockdown has brought transportation of goods in the country close to a halt, even though the government has exempted the sector from restrictions to halt the spread of coronavirus.

Daily movement of trucks has collapsed to less than 10 per cent of normal levels, according to All India Motor Transport Congress (AIMTC), an umbrella body of goods-vehicle operators representing about 10 million truckers. Road transport accounts for about 60 per cent of freight traffic in India and 87 per cent of its passenger traffic, according to the Ministry of Road Transport and Highways.

Trucking has emerged as a major chokepoint in global supply chains from food to medical supplies as governments around the world take ever more stringent steps to contain the pandemic, restricting the movement of vehicles as well as people to drive them. The stoppages in the country, where Prime Minister Narendra Modi imposed a three-week lockdown from March 25, are a harbinger of the damage the measures are wreaking on the economy amid forecasts the country could see its first contraction in at least two decades.

"Though the government has allowed movement of both essential and non-essential goods, the situation is very different at the ground level," said Naveen Kumar Gupta, secretary general of AIMTC, the largest grouping of transporters in India. Almost daily clarifications by the government take time to trickle down to officials enforcing the rules, making operations difficult, according to the organisation's president, Kultaran Singh Atwal.

The decline in road transport is another major setback for fuel demand in the world's third biggest oil market, which has already been hit by the collapse in air travel. Fuel sales in March by India's three biggest state-run retailers shrank by as much as 33 per cent.

One of the major problems facing truckers is loading and unloading because of a shortage of labor, according to AIMTC. And with the lockdown shutting highway food establishments and workshops, truckers can't get the services they need even if they are on the road.

The world could be on the brink a food scare as the coronavirus upends supply chains and sends prices for key staples higher. Prices of rice and wheat — crops that account for a third of the world's calories — are rapidly climbing. BLOOMBERG

Parked trucks being disinfected on the outskirts of Kolkata PHOTO: REUTERS

MPs to take cuts in constituency and office allowance also

INDIVJAL DHASMANA & PTI
New Delhi, 7 April 7

Members of Parliament (MPs) will have to take 30 per cent cut in some of the allowances such as those related to constituency and office work. Instead of ₹70,000 a month constituency allowance they will get ₹49,000 from April 1 this year, according to notifications issued by the Lok Sabha and Rajya Sabha secretariats.

Similarly, their office expense allowance has been cut to ₹14,000 a month, from ₹20,000, according to a notification issued by the Rajya Sabha secretariat.

The government also promulgated an Ordinance to cut the salary of MPs by 30 per cent. The Salary, Allowances And Pension of Members of Parliament (Amendment) Ordinance, 2020, will come into force immediately.

The ordinance was cleared by the Union Cabinet on Monday.

A Bill to replace the ordinance will be brought in the next session of Parliament.

The ordinance states that the coronavirus pandemic has shown the importance of expeditious relief and assistance and therefore, it is necessary to take "certain emergency measures to prevent and contain the spread of this pandemic".

"... In order to manage and control such situation, it has become necessary to raise resources by reduction of salaries and allowances of Members of Parliament...," the ordinance says.