MUMBAI, TUESDAY, MAY 26, 2020

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IN THE NEWS

GST refund: CBIC clears ₹11,052-cr claims since Apr 8

THE CENTRAL Board of Indirect Taxes (CBIC) on Monday said it has sanctioned GST refund claims worth ₹11,052 crore in 47 days, reports **PTI**. In a tweet, the CBIC said it is "committed to ensuring liquidity to GST taxpayers especially MSME sectors during the lockdown".

Interpol notice against Nirav's brother again

THE INTERPOL has placed the Red Corner Notice against fugitive diamantaire Nirav Modi's brother Nehal in public view again, after he recently lost an appeal against its issuance by the international police cooperation body last year, on the request of Indian agencies, officials told **PTI**. A Belgian citizen, Nehal Deepak Modi is wanted by the CBI.

'Depository a/c shares can be used as margin till Aug'

SEBI ON Monday said shares in depository account, which may be pledged or repledged, can be used as margin for another three months till August 31 in the wake of the coronavirus pandemic, reports **PTI**.

DOMESTIC SERVICES RESUME

Day 1: Over 600 flights cancelled

Chaos and cancellations follow as several states show reluctance

PRESS TRUST OF INDIA
New Delhi, May 25

DOMESTIC AIR TRAVEL resumed on Monday after two months even as a number of states were unenthusiastic about opening up their airports in view of the rising Covid-19 cases, causing around 630 flights to be cancelled.

According to aviation industry sources, around 630 domestic flights scheduled on Monday were cancelled due to the Centre's Sunday night announcement that there would be no flights in West Bengal and Andhra Pradesh, and limited operations at major airports such as Mumbai, Chennai and Hyderabad.

Consequently, many passengers reached the airports on Monday only to be told by the airline staff that their flights have been cancelled. Many people took to social media to vent their anger.

Union civil aviation minister HS Puri said on Monday evening, "From no domestic passenger flights yesterday to 532 flights and 39,231 passengers today, action has returned to Indian skies. With Andhra Pradesh set to resume operations from Tuesday & West Bengal from May 28, these numbers are all set to increase further."

According to a source, on May 22, bookings had opened for around 1,100 domestic flights for Monday.

The airlines, which were allowed to operate one-third of their pre-lockdown domestic services, have been busy since Sunday night to further rework their flight schedules.

The first flight on Monday took off from Delhi for Pune at 4.45 am under strict regulations recommended by civil aviation authorities. The first flight from Mumbai was to Patna at 6.45 am.

States like Maharashtra, West Bengal and Tamil Nadu, which are home to some of the busiest airports in the country, were reluctant to allow domestic flight services from their airports, citing swelling Covid-19 cases there.

West Bengal and Andhra Pradesh governments did not relent to the requests by the civil aviation ministry to allow flight services from Monday.

Continued on Page 11

EXPRESS PHOTOS: TASHI TOBGYAL & NIRMAL HARINDRAN

Several airports across the country restarted operations on Monday. Some states, including Maharashtra, West Bengal and Tamil Nadu, which are home to some of the busiest airports in the country, cited rising Covid-19 cases to disallow flights

SC asks AI to keep middle seats vacant after June 6

FE BUREAU
New Delhi, May 25

ALLOWING NATIONAL CARRIER Air India to operate scheduled international flight services with the middle seats filled only for the next 10 days till June 6, the Supreme Court on Monday said it was "common sense" that the government should have adopted social distancing as a precaution against coronavirus.

Air India has been operating the 'Vande Bharat' flights since May 7 to bring back Indians stranded abroad due to the coronavirus-related shutdowns.

Observing that the government should be more worried about the health of citizens rather than the health of commercial airlines, a Bench led by Chief Justice SA Bobde said special international flights to repatriate Indians must have middle seats vacant. "AI shall be allowed to operate non-scheduled foreign flights with middle seats booking for next 10 days," the CJI said.

Continued on Page 11

CUTTING DEBT

Bharti Telecom to sell 2.75% stake in Airtel to raise $1 bn

FE BUREAU
New Delhi, May 25

TO CLEAN UP debt and bring it to the level of zero at the promoter level, Bharti Telecom — the promoter group of Bharti Airtel — will sell 2.75% stake in the latter to raise about $1 billion through a secondary market block deal on Monday, sources said on Monday.

The block deal will be conducted by JP Morgan India at around ₹558 per share, close to 6% discount to the closing price of ₹593.20 on May 22 on the NSE.

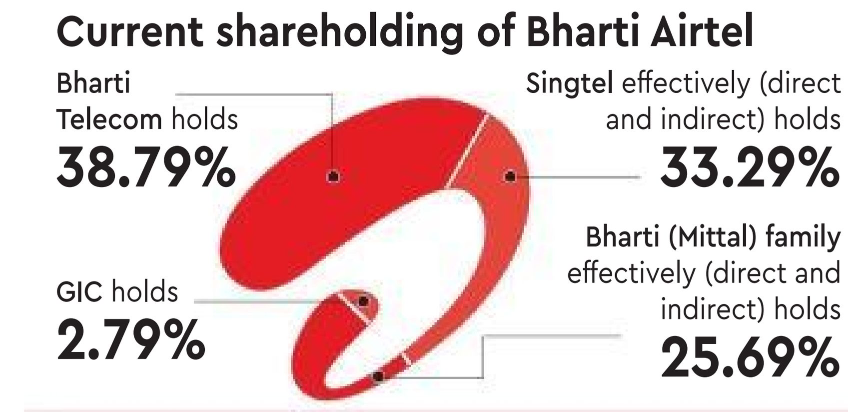
As of March, Bharti Telecom held about 38.79% stake in Bharti Airtel which will get reduced by 2.75% after the deal. The total promoter shareholding as per exchange data currently stands at 58.98%.

After the block deal, the stake held by the promoters of Bharti Airtel — Bharti Telecom, Indian Continent Investment, Viridian and Pastel — will fall to 56.23% from 58.98%, as per information available on the NSE.

Sources said the deal at the promoter level was taken to raise funds for the telecom firm from time to time and also for buying into the rights issue of Bharti Airtel.

Continued on Page 11

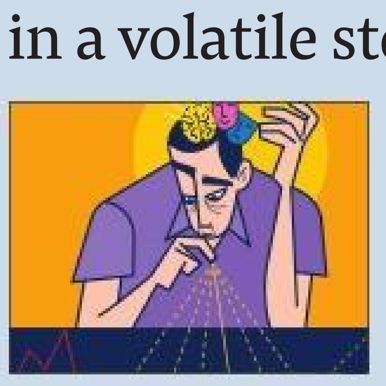
Current shareholding of Bharti Airtel



After the block deal, stake held by the promoters of Bharti Airtel — Bharti Telecom, Indian Continent Investment, Viridian and Pastel — will fall to **56.23%** from **58.98%**

Special Features

Tips to control your fears in a volatile stock market



If you are still working and saving, a downturn should not be a reason to panic. Rather, rebalance your portfolio, boost your savings and invest as per current market conditions
■ **Personal Finance, P9**

A steady performance by Hindustan Zinc in Q4FY20

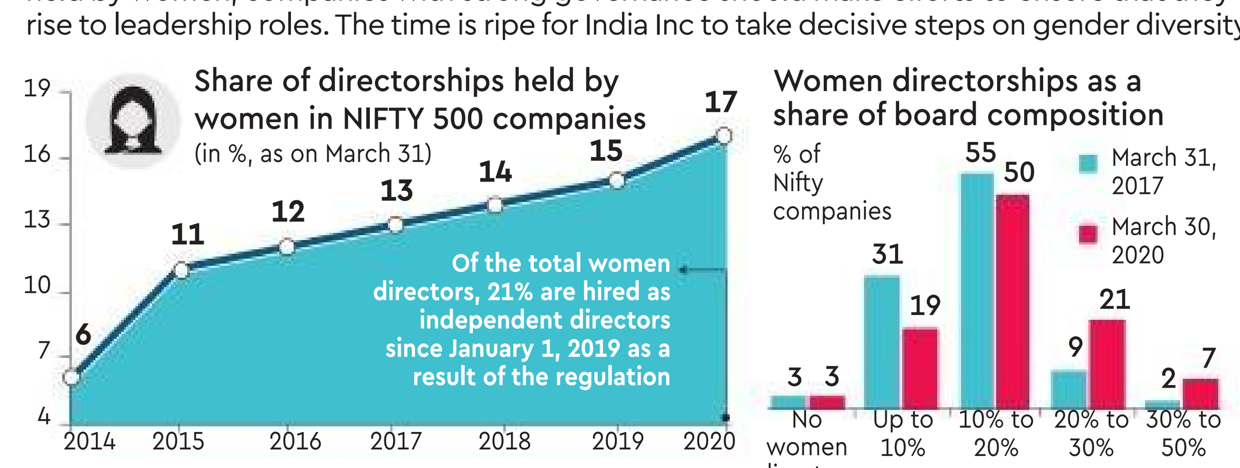
But for Covid-19 volume prospects for FY21 were bright; dividend outlook, completion of 1.2-mtpa expansion and moderate zinc price assumption behind 'Buy' rating
■ **Investor, P13**

Women on boards

FE BUREAU

Some progress, but miles to go

Though regulation has played an important role in increasing the number of directorships held by women, companies with strong governance should make efforts to ensure that they rise to leadership roles. The time is ripe for India Inc to take decisive steps on gender diversity.



Source: IiAS Research, PRIME Database group

WOMEN HOLDING FIVE OR MORE DIRECTORSHIPS (as on March 30)

CURIOUS CASE

Bihar data on migrants suggest large under-reporting by states

ISHAAN GERA
New Delhi, May 25

IT ALWAYS SEEMED far-fetched that a city like Delhi or a state like West Bengal has been able to keep infections in check when they were galloping in Maharashtra and its capital, Mumbai. But now there is data to suggest that the number of positive cases may be far more than what various state governments are reporting.

Results on tests conducted for migrants by Bihar — tweeted by the former health secretary and retweeted by the state's health department — for May 18, show that states may be under-reporting their figures by 2-3 times. Migrants returning from Delhi, for instance, showed a 26% infection rate on May 18, whereas Delhi reflected a daily infection rate of 6.9% during the third lockdown till May 17.

This newspaper has earlier reported that the state has, in any case, been reporting two sets of numbers; one to the Delhi High Court and one to the public. As per the data given to the HC, Delhi's infection levels are 21%; the state was consistently over-reporting the number of tests between May 6 and May 15 and that allowed it to show lower infection levels to the lay public.

Similarly, while West Bengal was the second-most infected region with an infection level of 12% in migrants that returned to Bihar, the state-reported infection levels were nearly 10 percentage points lower at 2.9%.

Not all states were on the wrong side though. For migrants returning to Bihar from Maharashtra, Gujarat and Tamil Nadu, infection levels were more in line with the state's infection numbers. Migrants from Maharashtra had an 11% infection rate, while the state reported a daily infection level that was not too different at 13.3%.

Continued on Page 11

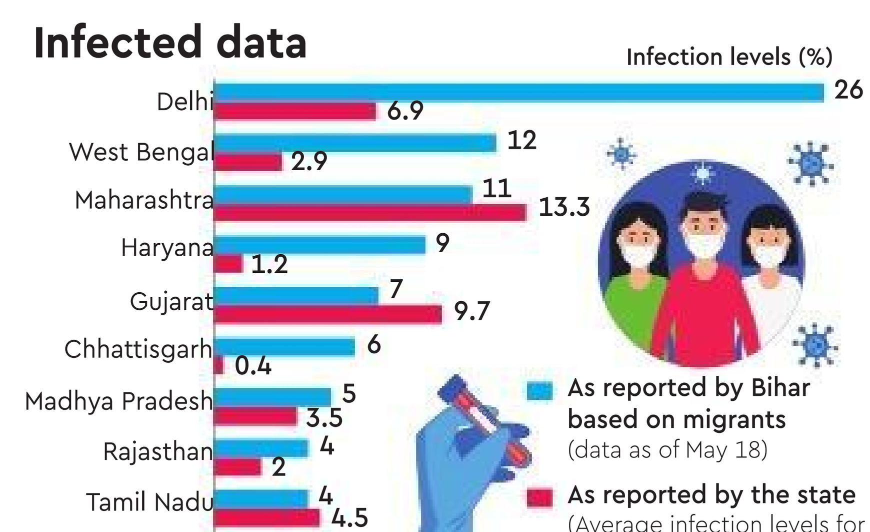
COVID-19 UPDATE

1,44,753 TOTAL CASES

4,176 DEATHS SO FAR

6,573 NEW CASES

Infected data



Pune staring at shortage of ICU beds & ventilators

FE BUREAU
Pune, May 25

PUNE CITY COULD be facing a shortage of ICU beds and ventilators by the end of next month if the Covid-19 positive cases continue to rise the way they have in the last one month.

As on May 21, the total positive cases in Pune city were 4,107, and cases are doubling here in 14 days. The Pune Covid-19 Response War Room Dashboard of the Pune Municipal Corporation has estimated that at this rate, the city is projected to have 22,940 positive cases by June 30, 2020.

These numbers do not include positive cases in the Pimpri Chinchwad and Pune district rural and semi-urban areas. As on May 25 morning, the total positive cases in Pune city has gone up to 4,782 with 254 deaths while positive cases in the entire district is at 5,694 with 272 deaths.

Out of these total 22,940 positive cases expected in Pune city by June 30, it is projected that there would be 9,743 active cases needing institutional intervention. It is projected that the city would need 7,945 beds without oxygen and 974 beds with oxygen. A shortage is expected in ICU beds and ventilators.

Continued on Page 11

QuickPicks

NCLAT junks NCLT order making MCA a party in all IBC matters

THE NATIONAL Company Law Appellate Tribunal (NCLAT) has quashed the November 22 order of the National Company Law Tribunal (NCLT) that sought to implead the ministry of corporate affairs (MCA) through its secretary a party respondent in all cases of insolvency and company petition, reports **fe Bureau** in **New Delhi**. The NCLT had said making MCA a party would ensure that authentic record is made available by the officers of the MCA for proper appreciation of the matters. **PAGE 2**

Low demand: Bosch goes for production holidays at TN plant

WITHIN DAYS of resumption of production after the Covid-19 lockdown, mobility solutions major Bosch said it has decided to observe production holidays at one of its plants in Tamil Nadu due to paucity of demand, reports **R Ravichandran** in **Chennai**. In a communication to the exchanges, Bosch said in order to align production with sales requirements, its Gangaikondan plant in Tamil Nadu would observe 'no production days' for a week starting Monday. **PAGE 4**

Modification of labour laws by states: ILO asks PM to intervene

THE INTERNATIONAL Labour Organisation (ILO) has expressed 'deep concern' over the way some states in India are trying to modify the relevant laws to ease labour regulations, and has requested PM Narendra Modi to intervene in the matter and ask states to uphold the country's international commitments on the labour front, reports **fe Bureau** in **New Delhi**. ILO's response came after 10 CTUs barring RSS-affiliated BMS, requested it to urge the Indian authorities to take necessary action. **PAGE 2**

GADKARISPEAK

MSME definition to be widened further

Proposal awaiting finmin clearance; thousands of medium-sized units to benefit

BANIKINKAR PATTANAYAK & SURYA SARATHI RAY
New Delhi, May 25

DAYS AFTER ANNOUNCING a new set of criteria to define micro, small and medium enterprises (MSMEs) on which various official benefits will be extended, the government is considering a proposal to widen the definition again — a crucial move that will potentially benefit several thousands of firms.

MSME and transport minister Nitin Gadkari told *FE* his ministry is floating a proposal to raise the annual turnover limit for a medium enterprise to ₹250 crore from ₹100 crore. Similarly, the investment limit to qualify as a medium enterprise could be raised to ₹50 crore from ₹20 crore announced earlier this month. This proposal is subject to clearance by the finance ministry, he added. The ₹250-crore turnover limit may also exclude export realisation of an entity.

"The move is aimed at giving benefits to many such businesses. It is going to transform the MSME sector. It will also enable them to make more investments," Gadkari told *FE* in an interview.

Continued on Page 11

BROADER COVER

Annual turnover limit for a medium enterprise may be raised to **₹250 cr** from **₹100 cr**; investment cap may be increased to **₹50 cr** from **₹20 cr**

If approved, proposed definition to benefit several thousand firms, which may gain from **mandatory 25% official procurement and loans** under the priority sector scheme

They may also be entitled to latest measures, including **₹3 lakh cr extra collateral-free loans**, ₹20,000-cr subordinate debt, etc

DELHI HOSPITALS

Share of pvt Covid beds occupied double that in govt ones

ASTHA SAXENA
New Delhi, May 25

MORE THAN 75% of beds earmarked for Covid-19 patients in the capital's 10 private hospitals are occupied, chief minister Arvind Kejriwal said on Monday — in stark contrast with government hospitals, where the occupation of these beds is a little over 38%.

Of the 677 beds for Covid patients in private hospitals, 509 were occupied on Monday, Kejriwal said. In government hospitals, 1,478 out of 3,829 beds were occupied, he said.

"We issued an order on Sunday asking 117 nursing homes/private hospitals to earmark 20% beds for treatment of Covid-19 patients," the chief minister said. This was expected to add 2,000 beds at private facilities.

"At present, we have 4,500 beds in private and government hospitals in Delhi and around 2,500 are still available for patients," he said.

Continued on Page 2

Record spike in corona cases

INDIA REGISTERED its biggest single-day spike of Covid cases for the fourth consecutive day on Monday morning, with 6,977 new infections, taking the country's tally to over 1.35 lakh.

Union minister refuses quarantine

UNION MINISTER DV Sadananda Gowda was at the centre of a controversy on Monday after he did not undergo quarantine on arrival from Delhi by a flight here as stipulated.

Lockdown in HP till June end

THE HIMACHAL Pradesh government has authorised all DMs to extend the lockdown beyond May 31 and three DMs issued orders indicating it will continue in their areas for another month.

Economy

PRIORITIES

Anurag Thakur, MoS, finance

Efforts of the govt will be towards rationalisation of its expenditure and to ramp up allocations for essentials during the current fiscal to deal with the challenges posed by the outbreak of Covid-19 pandemic.

Quick View

Covid can't hamper wheat procurement

THE GOVERNMENT'S WHEAT procurement so far in the 2020-21 marketing year has surpassed the last year's 34.13 MT, surmounting impediments in the wake of the Covid outbreak. The food ministry said overall wheat procurement has touched 34.15 MT as on May 24 in the current marketing year.

Real-time power market soon: IEX

A REAL-TIME POWER market is expected to start from June 1 without having any bearing of COVID-19 on it, an official of the Indian Energy Exchange (IEX) said. The market enables users to buy power on the exchanges just an hour before delivery.

LABOUR PAIN

Labour reform steps by states hit Centre hurdle

SURYA SARATHI RAY
New Delhi, May 25

THE PLAN BY some states to usher in key labour law relaxations in the wake of the job crisis created by Covid-19 may hit a wall. A senior functionary with the Union labour ministry told *FE* that suspension of labour laws by the states under the Factories Act can't last for more than three months at a time.

The person asserted while states are within their rights to make certain specified changes like enhancing working hours to 12 hours from 8 hours to deal with crises like the current one, many of the proposed modifications, including suspension of substantive provisions of the Industrial Disputes Act for all establishments, might not stand scrutiny by the Centre.

So, the proposal of Uttar Pradesh to give employers freedom to hire and fire and hold in abeyance workers' rights to lockout and strikes for up to three years might not be accepted by the Centre. However, since relevant orders issued by Madhya Pradesh and Gujarat seek to suspend the provisions of the Act only for 'new establishments', these might get the concurrence of the Centre. Also, any ordinance in this regard would need to be issued by the Centre after securing Presidential assent, the source added.

"If they (states) change labour laws, they can do it for three months (under Factories Act). Let their proposals come to us, and then we will deliberate on them and take a call. However, if any ordinance has to be promulgated, the Centre will do that, and not the states," the official said. "On its own, the Centre has no plan to bring in labour-law ordinances," said the official.

"If any proposal (from a state) contains something for which approval was given to any other states earlier, the labour ministry approves that proposal almost immediately. But, in cases where there is something new, which is not legally correct and is too extreme, the ministry analyses such proposals and give its comments to the Ministry of Home Affairs. The MHA then takes a call and gives it views to the President, who can only promulgate ordinance. This is the procedure," the official explained.

"Before any ordinance to take effect, it requires various approvals. We are deliberating on Uttar Pradesh's proposals," said the official. Following a rap from the Allahabad High Court, the UP government withdrew its order in which it had diluted certain sections of the Factories Act 1948, exempting factories from the 8-hour shift per day and allowing them to extend the shift to 12 hours for three months, beginning April 20.

Rajasthan, Punjab, Himachal Pradesh and Gujarat have amended Factories Act via notifications to increase the work time to 12 hours/day and 72 hours/week, in place of 8 hours/day and 48 hours/week.

"Labour law amendments by the state governments is a continuous process and follow a standard procedure. Whenever a proposal is received from any state government, the same is examined thoroughly with respect to its legality and also as a policy decision. If the central government does not agree with the proposed policy, comments are given to the state government," the official said.

Within the power vested with states under Section 5 of the Factories Act, Madhya Pradesh has already issued a notification to make changes in provisions like enhancing working hours from eight hours to 12 hours. Following the Factories Act, MP has also entitled workers to get paid at double the regular wage rates for the extra work time. "States are empowered to enhance working hours from 8 to 12 and can do it through notification only. And for overtime, factories and establishments need to pay at double the wage rate under the Factories Act," the official said.

Gujarat's proposals have been received by the labour ministry, but the state has not done anything which could be dubbed as "extreme", the official added.

Key changes proposed/ implemented in labour laws

MADHYA PRADESH
- To suspend most provisions including those governing retrenchment and trade union rights for new establishments, for 1,000 days
- To extend work time from 8 to 12 hours, with higher pay for extra time
- To allow shops to function from 6 am to 12 in the night
- To remove registration requirement for contractors employing less than 50 workers (preciously, 20 workers)

UTTAR PRADESH
- Ordinance drafted and send for the President's approval to suspend all but four labour laws for three years for industries, both new and old.
- Work time extended to 12 hours on May 8; rolled back on May 15 after HC rap
- ESMA invoked to ban strikes and protests by the employees of state government, corporations, local bodies and PSUs for six months

GUJARAT
- Work hours 12 instead of 8 earlier
- To keep in abeyance almost all labour laws for 1,200 days for new units.

ILO concerned over states' move to ease labour legislations

The organisation has urged the prime minister to intervene

FE BUREAU,
New Delhi, May 25

THE INTERNATIONAL LABOUR Organisation (ILO) has expressed 'deep concern' over the way some state governments are trying to modify relevant laws to ease labour regulations, and has requested Prime Minister Narendra Modi to intervene and ask states to uphold the country's international commitments on the labour front.

ILO's response came after 10 central trade unions (CTUs), barring RSS-affiliated Bharatiya Mazdoor Sangh, requested the ILO to engage with the Indian authorities and urge them to take necessary action for protection of workers' rights in light of measures taken by the state governments.

To lure investment and make operations of business viable amid the Covid-19 pandemic, Uttar Pradesh, Gujarat and Madhya Pradesh have announced sweeping changes in labour laws.

Replying to the CTUs' pleas, Karen Curtis, chief, Freedom of Association Branch, International Labour Standards Department, said, "Please allow me to assure you that the ILO director general has immediately intervened, expressing his deep concern at these recent events and appealing to the Prime Minister to send a clear message to the central and state governments to uphold the country's international commitments and encourage engagement in effective social dialogue." Curtis, in his letter dated May 22, said he would let know the CTUs any observations or comments that may be made by the Indian authorities.

Commenting on the development, labour expert KR Shyam Sundar said, "ILOs' intervention will be very critical and India's response will be watched by all the member countries of the ILO. This may have possible repercussions on global trade and investment aspects and sentiments."

In their May 14 letter to ILO director general Guy Ryder, CTUs said, "It is unfortunate that the government of India supports the blanket exemptions to all establishments from the employers' obligation under all substantive labour laws for a period of three years by the state governments through amendments by executive order or ordinance for a period of three years, empowering employers to hire and fire workers at their convenience, freezing collective bargaining rights, undoing rights of occupational safety and health, without labour department's intervention in the establishments for any inspection of the basic bare minimum needs for decent working conditions, etc during the said period."

NCLAT sets aside NCLT order on making MCA party in IBC matters

FE BUREAU
New Delhi, May 25

THE NATIONAL COMPANY Law Appellate Tribunal (NCLAT) has quashed the November 22 order of the National Company Law Tribunal (NCLT) that sought to implead the Ministry of Corporate Affairs (MCA) through its secretary a party respondent in all cases related to the The Insolvency and Bankruptcy Code (IBC).

The NCLT had said making MCA a party would ensure that authentic record is made available by officers of the MCA for proper appreciation of the matters. It had also said the order would be applicable throughout the country to all

the NCLT benches.

The three-member NCLAT bench, adjudicating on the MCA's objection, said the NCLT order to "implead the secretary of Ministry of Corporate Affairs as party respondent in all cases of I&B Code is nothing but beyond the power of the tribunal and it tantamounts to imposition of a new rule in a compelling fashion. In short, the impugned order making it applicable throughout the country to all the benches of the NCLT is untenable one, and the said order suffers from material irregularity and patent illegality in the eye of Law."

"As a logical corollary, this tribunal sets aside the impugned order. Consequently, the present appeal succeeds," the NCLAT order, pronounced on May 22, said.

Following the NCLT's order, the government challenged it in the NCLAT and got a stay from the in December.

Reacting to the NCLAT order, Richa Roy, partner, Cyril Amarchand Mangaldas, said, "Although the MCA has been central in the implementation of the IBC, their being a party to every single IBC fillings is not only excessive but perhaps counterproductive. The NCLAT order is, therefore, a welcome decision that reaffirms the correct position."

Outlays for centrally-sponsored schemes likely to be reduced

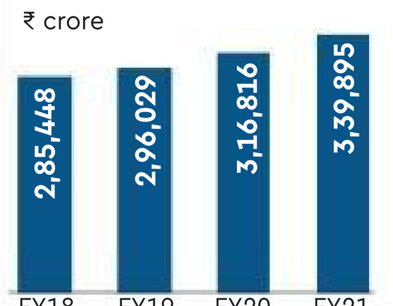
PRASANTA SAHU
New Delhi, May 25

EXPENDITURE ON CENTRALLY sponsored schemes (CSS), which are shared in 6:4 ratio between the Centre and states, may suffer in FY21 as cash-starved states may not be able to contribute their share to be able to fully implement these schemes.

As per norms, states can't utilise transfers from the Centre for these schemes unless they put in their shares. Even though some states have requested the Centre to allow them to utilise only the central funds in such schemes in FY21, the union finance ministry may not permit such a leeway.

"It is rather difficult for us to (allow only use of central funds) because the scheme objectives will not be realised," expenditure secretary TV Somanathan told *FE*. He, however, said no formal decision has been taken so far on the request of the states for such a relaxation. If the states keep central transfers idle, additional instalments in subsequent months will not be released till earlier releases are utilised, he added.

Budget outlays by Centre for centrally sponsored schemes



With tax revenues dwindling, funding crunch has already forced Maharashtra to give priority to CSS schemes in FY21 over state schemes to be able to maximise the benefits under CSSs, state finance secretary (expenditure) Rajiv Mittal said. With own revenues of many states falling short of target by about 80% in April and likely to face similar shortfalls in May, normal tax devolutions by the Centre in April-May and the hike in states' ways and means advances have allowed at least some states to refrain from excessive front-loading of borrowings or resorting to other forms of costly fund-raising so far.

"The Centre should think of making all schemes 100% central funded this fiscal. So that states' resources are utilised for Covid-19 related preparations and relief," said an official of another state government.

According to FY21 Budget estimate (BE), the Centre is estimated to spend about ₹3.4 lakh crore on CSSs, with ₹3 lakh crore or 88% through states and the UTs. While the FY21 allocations for CSS represented a year-on-year growth of 7% compared with revised estimate of FY20, it could actually turn out to be much lower or see an annual decline.

While the Centre won't cut funding for flagship schemes (states may not use fully though), it could cut spending on smaller CSS schemes keeping in view the sharp decline in its revenue collections after outbreak of Covid-19. With tax revenues even not enough to cover tax devolution to states, which was double than tax receipts by the Centre in April-May, the Centre decided to scale up its market borrowing by 54% to ₹12 lakh crore in FY21 to meet various funding commitments.

Bihar, Jharkhand transfer through apps ₹1,000 each to 21L migrant workers

SUMIT JHA
New Delhi, May 25

FACED WITH THE challenge of providing relief to migrant labourers stuck in other states during April — before transportation became available on May 1 — Bihar has developed a mobile application (app) which could perform basic checks through Aadhaar authentication to identify genuine beneficiaries. Jharkhand followed suit with a similar app, and both the states between them transferred ₹1,000 each to nearly 21 lakh recipients.

A Jharkhand state official said the aim was to address migrant labour population unable to travel back to the state before the lockdown came into force. "We started with the idea of providing at least a one-time cash support to these people which would sustain them during lockdown."

The states identified few qualifying criteria to narrow the target for direct benefit transfer (DBT). This included the condition that the person downloading the application had to be located outside the state, which was ensured at the time of registration through geolocation to identify the location of the device. Second, such a person had to have the relevant bank account in their home state.

"We decided that to qualify for the support, a person must have the Aadhar-linked bank account in the home state, because it provides a strong indication that the person is engaged in labour outside the state for a considerable period of time, but eventually comes back to the state every year for a few months," Sushil Modi, deputy chief minister of Bihar, explained.

He added that it was felt that a person with bank account outside the state may have settled there and earned his entire livelihood in the host state. They are likely to be not as vulnerable as migrant labour population, so it was decided to exclude them from DBT, Modi said.

Finally, registrants had to click their photos and upload the same on the app. This was matched against the details available on the Aadhaar database. Once successfully registered, the monetary sum was transferred to Aadhaar-linked accounts of the individuals.

Bihar earmarked about ₹250 crore for the purpose from the CM relief fund, and made the cash transfer to 19 lakh accounts till last count. Jharkhand identified about 2 lakh persons eligible for the benefit and spent about ₹20 crore from the labour development fund.

Both the states stopped taking fresh registrations after lockdown was eased on May 4. As the migrant labour started arriving in Bihar and Jharkhand thereafter, the respective governments began providing for travel cost as well as upfront cash payment to mitigate the suffering, officials said.

From the Front Page

Delhi hospitals: Share of pvt Covid beds occupied double that in govt ones

UNTIL MONDAY afternoon, the capital had reported 13,418 cases of coronavirus infection, and 261 deaths. There were 6,617 active cases in the city, while 6,540 people had recovered.

"Of the total 3,829 beds in government hospitals, 3,164 have oxygen support. We are focusing more on oxygen beds as severe patients have respiratory trouble and it is important to maintain oxygen levels. We have 250 ventilators in government hospitals and only 11 are being used as of now. There are 72 ventilators in private hospitals and 15 are occupied," the CM said. The Delhi government is also preparing GTB hospital to treat Covid-19 patients. 1,500 beds with oxygen support are being readied at the hospital, Kejriwal said.

"The situation is under control and there is no reason to worry. The cases were expected to rise with relaxations in the lockdown. We need to worry if the recovery rate is going down and more people are succumbing to the disease. But in Delhi, the number of active cases is equal to the number of people who have recovered. "Secondly, we need to look at the health infrastructure and monitor the rise in the number of severe cases. The cases should not turn serious and come to a situation where our hospital system collapses," he said.

INTERVIEW: **SUKHBIR SINGH SANDHU,** chairman, NHAI

'NHAI capable of raising requisite funds from mkt, not under financial strain'

The total debt of the National Highways Authority of India (NHAI) went up by nearly 9.5 times to ₹2,28,252 crore in February this year, from ₹24,188 crore as on March 31, 2015. There are concerns that debt repayment, pay-out money involved in arbitration, higher levels of construction and cost thereon might aggravate its already-precarious financials. Chairman **Sukhbir Singh Sandhu** *shares with* **Surya Sarathi Ray** *how he wants to steer NHAI in coming days. Excerpts:*

In the last fiscal year, NHAI achieved the highest-ever construction level of 3,979 km of highways; what is the target for the current fiscal?

For the current fiscal, we have set a target to build 4,500-km national highways.

How much of the Bharatmala programme (Phase-1) has been awarded so far and how much do you hope to award in the current fiscal year? What could be the likely ratio between EPC, HAM and BOT routes for project awards?

Up to March 2020, projects involving highway length of 10,676 km have been awarded under Bharatmala Paroyojana. HAM-EPC ratio would depend on response from the market. Until now, PPP (including HAM)-EPC ratio for Bharatmala phase-1 has been 42:58.

How many projects are under implementation now?

There are around 450 ongoing projects covering over 24,000 km of national highways which are under different phases of construction.

Apart from higher land acquisition costs, NHAI is bound to face tremendous fund crunch this fiscal due to a large amount of arbitration pay-out and ₹24,108 crore for repayment of debt, including interest. At the same time, your borrowing limit has been reduced by ₹10,000 crore to ₹65,000 crore in the FY21 Budget. Also, against your demand for ₹68,805-crore budgetary support for this fiscal, NHAI has been given only ₹42,500 crore, including ₹10,250 crore from asset monetisation. Aren't you facing funding constraints?

Of course, land acquisition costs have increased in recent years. To lower the cash outflow against the land compensation, the NHAI is exploring land pooling and some other options to reduce land-related expenditure.

With the electronic tolls collection gearing up, toll revenue of NHAI has increased and it is expected that the traffic density will also increase after the lockdown is over. A gradual ramp-up of traffic is reasonably assumed.

Further, apart from raising funds from market through bonds and bank loan, etc, NHAI shall be exploring to raise funds from asset monetisation i.e. securitisation of toll revenue of certain stretches. The authority through the Ministry of Road Transport and Highways is also in talks with multilateral agencies like the World Bank to finance one of its expressways. As regards the arbitration payment, NHAI has also counter claims against contractors/concessionaires. So, NHAI is not under any financial strain.

Owing to Covid-19, toll collection is set to fall. Your asset monetisation programme might also face problems. Even the TOT-4 is not expected to sail through and investors might not show interest in the proposed InvITs. Further, banks may find it difficult to opt for toll securitisation.

NHAI has availed ₹30,000-crore loan facility from SBI and PNB and this is unsecured. NHAI has also been able to raise funds from market at comparatively better interest rates. Further, four top rating agencies (CRISIL, CARE, ICRA and India Ratings) have assigned the highest rating — AAA — for its borrowing programme for the current financial year aggregating to ₹65,000 Crore. NHAI has already entered into an MoU with NIIF for financing of road project. It is also in talks with New Development Bank for financing of Green corridor projects.

Private sector investment in the highway sector has been on the wane. What are your plans to bring the private sector back in highway development?

We have awarded more than 120 projects on PPP-HAM mode in the last three years. However, there are some concerns with regard to BOT-Toll projects for many reasons including funding issues. However, we have been working with the industry to address some of the challenges being faced by them, including financing challenges, We have fast-tracked dispute resolution and rationalised the Model Concession Agreement (MCA) framework to make investments in the highways sector more attractive.

Including the cost of land acquisition, what is the average cost of construction of highways now? How the cost can be reduced over the years?

The average cost of highway construction comes around ₹20-25 crore per km, which varies due to various factors viz. 4/6 lane project, greenfield or brownfield project, number of structures, type of land to be acquired, etc.

The NHAI is working on alternative greenfield alignments. This will not only reduce the cost of land acquisition but the cost of utility shifting will also be reduced substantially. Land pooling and the value capture mechanism are also being explored.

HIT BY PANDEMIC

Gas operators seek tax relief, loan restructuring to deal with lockdown

PRESS TRUST OF INDIA
New Delhi, May 25

PUMMELED BY EVAPORATING demand and fall in business due to the lockdown, city gas operators such as Adani Gas, GAIL and Torrent Gas have sought tax relief and loan restructuring to tide over difficult times.

Natural Gas Society (NGS), which represents CNG and piped natural gas retailers in the country, has written to the oil secretary Tarun Kapoor seeking government support in expansion of the city gas distribution (CGD) business and the share of natural gas in the country's energy basket.

"The CGD sector has been among the worst hit during the current lockdown with consumption reduced by over 80% and now, the further extension of the lockdown, this will only bring additional hardship to the industry," it wrote.

Barring supply of piped natural gas to households kitchens, all segments under the CGD have shown a sharp fall in gas offtake. "With falling demand, majority of the CGD entities are facing steep fall in revenue and margins and cash flow problems which could impact the ability to maintain the required investment /capex," it said.

Slowdown in the overall economic activity, it said, can be a dampener for infrastructure capex plans especially under the newly awarded city gas licenses.

The association sought exemption of the CGD sector from excise duty (14 per cent) and a deferment of statutory tax compliances at least till September-December, 2020.

"Banks may be asked to restructure the loans and provide a moratorium on interest payments for at least another six months to help the sector to recover quickly," it wrote.

NGS wanted government-priced controlled gas to be allocated to CGD operators.

"Government should direct gas suppliers and transporters to bill CGD entities only for the quantities they consumed at normal prices / rates without any additional charges like excess gas, take-or-pay, imbalance etc," it said.

The association sought waiver of penalty for not making committed investment in a city gas area. "It is proposed that a deferment of at least 24 months in minimum work programme (MWP) be allowed post lockdown period and till the restoration of normalcy period in the industrial activities."

To help generate finances for investment and ease the financial stress being faced by the CGD entities, the Ministry of Petroleum and Natural Gas may consider financial assistance to the sector, it said, adding this could be through creation of a special fund. This could be through funding from the Oil Industry Development Board (OIDB) and the oil regulator PNGRB reserve.

Shares in depository account can be used as margin till Aug 31: Sebi

PRESS TRUST OF INDIA
New Delhi, May 25

MARKETS REGULATOR SEBI on Monday said shares in depository account, which may be pledged or repledged, can be used as margin for another three months till August 31 in the wake of coronavirus pandemic.

The markets regulator in February came out with framework on margin obligation to be given by way of pledged or repledged shares in the depository system.

Under the framework, trading or clearing member need to accept collateral from clients in the form of securities, only by way of "margin pledge", created in the depository system with effect from June 1.

Now, the regulator has extended the guidelines by three months for the implementation of the framework, Sebi said in a circular.

In view of the situation arising due to Covid-19 pandemic, lockdown imposed by the government, representations received from the depositories and

the clearing corporations and that the changes to the systems and software development still under progress, it has been decided to extend the implementation of the framework to August, 2020, the regulator added.

"Accordingly... the trading member (TM) / clearing member (CM) shall be required to close all existing demat accounts tagged as 'Client Margin / Collateral' by August 31, 2020," the Securities and Exchange Board of India (Sebi) said.

However, the provision regarding holding of Power of Attorney by TM or CM not to be considered as equivalent to the collection of margin by such member in respect of securities held in the demat account of the client will be applicable from June 1.

Further, with regard to confirmation from the client or pledgor through one time password on mobile number or registered e-mail id or other verifiable mechanism, Sebi said that such confirmation need to be required only once from the client at the time of initial creation of pledge in favour of trading or clearing member and subsequent repledging by such member need not require any further confirmation from the client.

Labour shortage at JNPT hits Maharashtra sugar exports

FE BUREAU
Pune, May 25

LABOUR SHORTAGE AT the container freight station at the JNPT, Nhava Sheva, has disrupted operations and this is adversely impacting Maharashtra's cooperative sugar mills. The shortfall of manpower has stalled sugar exports from Maharashtra. Maharashtra State Cooperative Sugar Factories Federation (MSCSFF) has urged the state government to intervene and resolve these issues so that they can execute their contracts.

Jayprakash Dandegaonkar, chairman of the federation, said the pandemic had resulted in workers returning to their home states, which disrupted operations particularly at the Container Freight Stations (CFS) at JNPT, Nhava Sheva, that handles containerised cargo.

The other private port at Jaigarh is handling bulk cargo. The problem at JNPT has led to sugar exports from Maharashtra getting stalled and this was adversely impacting their ability to execute contracts, Dandegaonkar said. If these problems persist, the global shipping lines could reroute their container ships away from JNPT.

According to the Federation, the department of food & public distribution (DFPD), ministry of consumer affairs, food and public distribution has allocated a revised Maximum Admissible Export Quota (MAEQ) of 17.72 lakh tonne sugar to be exported by the sugar mills in Maharashtra. Dandegaonkar stated contracts for 14.33 lakh tonne have been executed out of which 12.66 lakh tonne sugar has been physically dispatched.

The central government was rigorously following up for exports and specifically for executing contracts for the balance 3.39 lakh tonne before the impending price crash, he said. With Brazilian sugar flooding the International markets, a price crash is expected, he warned.

Brazil's sugar season 2020-21 commenced crushing operations from April 2020, he said. "Due to the crash in the crude oil prices and the Brazilian Real depreciating against the US dollar, the ethanol parity for Brazil is lost for the present time which has forced the country to opt for sugar production instead of ethanol."

"The depreciated Real is fetching better export realisations for Brazilian sugar mills. Huge shipments are getting lined up at Brazilian ports to capture the world markets," he added.

This would only add to the problems of the mills in Maharashtra which is already facing a drop in domestic sales and fierce competition from sugar mills in Uttar Pradesh, he said. More fundamentally the credibility of India as an exporting nation in the international sugar trade is taking a beating so the state government needs to intervene and have urgent meetings with the chairman, JNPT, secretary (shipping & transport) and Union minister Nitin Gadkari to resolve these issues.

The federation has suggested initiating confidence building measures amongst the port labour particularly at the CFSs and boosting their moral by conducting meetings with their unions, making public appeals to them to return. Temporary good shelter, health facilities and food arrangements should be offered free of costs at the port premises till the lockdown finally comes to an end, the federation has suggested.

The federation also asked for a waiver for penal charges on detention of containers and ground rent.

Dandegaonkar said these measures had already been adopted by Kandla Port.

The federation has sought a meeting with the chairman of JNPT including CFS personnel, collector Raigad, secretary (public health), port labour unions and all stake holders in the sugar sector.

Tea industry seeks financial package to recover from lockdown stress

FE BUREAU
Kolkata, May 25

THE AILING TEA industry has urged the Centre and state governments of Assam and West Bengal to extend a financial package to the sector in view of production loss to the tune of 140 million kgs during March, April and May, which translates to a revenue fall of more than ₹2,100 crore, based on last year's north India auction prices.

The lockdown in the wake of Covid -19, at the onset of new season, has dealt a big blow to production of tea in Assam and West Bengal which is estimated to have declined by 65% for the period of March and April and by 50% during May.

The tea sector has demanded a financial package in terms of interest subvention, enhancement of working capital limit, relief in payment of electricity charges and provident fund dues. The various relief packages announced so far have yielded little for the tea industry, an Indian Tea Association (ITA) statement said.

The north Indian tea sector was already under financial stress with input costs going up by 7-10% CAGR in the last five years, while the growth in prices have been at 1%, resulting in large number of tea estates incurring losses. The lockdown has further aggravated the situation bringing the sector under acute financial stress.

Tea estates in Assam and West Bengal, after closure of production for three weeks during the lockdown, resumed operations from April 12 with partial workforce utilisation. Plucking operations could not be resumed immediately as tea bushes which had overgrown for the halt in operation had to be skiffed. Besides, a dry spell resulted in the skiffing operation being done with low soil moisture, making recovery of unpruned tea bushes slower.

The deployment of workforce below the normal strength for considerable period as mandated by the government resulted in operational problems, thereby posing a grave challenge to the industry.

Tea production was closed from December 2019 by an order of the Tea Board and therefore the carryover stock this season has been much less. So, combined with the loss of production during the lockdown period, the demand-supply situation is expected to get corrected and the disruption in supply chain has led to certain buoyancy in North India CTC tea prices. However, the recent spike in prices will not compensate for the revenue loss and thus a financial package is required, according to an ITA statement.

But the industry remains optimistic in export front. At present, there is a strong export demand for second flush Assam tea from key markets like Iran, Russia, the UAE,and Europe. Logistics remains an area of concern as operation would take some time to stabilise, the ITA statement said.

Gujarat to see 40% hike in summer groundnut crop

FE BUREAU
Ahmedabad, May 25

GUJARAT IS POISED to witness a 40% rise in the production of groundnut to over 84,000 MT for the summer season of 2019-20 as compared to around 60,000 MT in previous year, says the advanced estimate of state agriculture department.

Farmers in Saurashtra and North Gujarat region are heavily banking on groundnut crop due to excellent monsoon, said a senior official, adding that as a result of it, cultivation area of the crop has also increased from 27,840 hectare to 33,920 hectare.

"Apart from availability of water, there has been good demand for groundnut from oil mills as well as exporters over the past couple of months. Encouraged by the trend, farmers have opted for groundnut this year," said Samir Shah, president of Saurashtra Oil Millers Association (SOMA).

Not only groundnut, production of oilseed sesame (til) is estimated to have doubled compared to previous year from 11,650 MT to almost 24,500 MT, which indicates 110% increase. This year, sowing of sesame has gone up to 29,440 hectare from last season's 17,620 hectare.

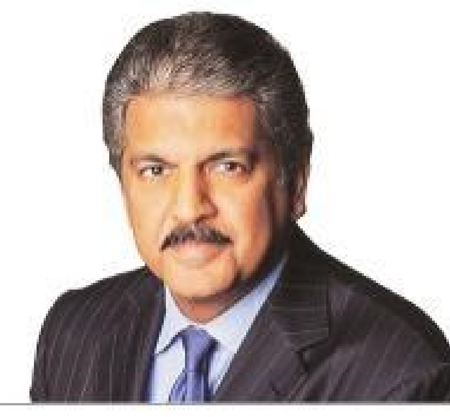
Advance estimate of rice is also encouraging as production is set to increase from 92,620 MT to 1,30,690 MT.

Sowing area of the crop in the state has also augmented from 29,580 hectare to 43,620 hectare due to availability of irrigation water. Production of maize is also projected to increase by 87% to 6,460 MT in 2018-19 from 12,140 MT in 2019-20.

In case of bajara, production is estimated to have fallen by 7% from 6.64 lakh MT to 6.17 lakh MT as sowing of the crop has declined from 2,28,040 hectare to 2,26,820 hectare as farmers switched to other crops.

Another important crop, mung also witnessed a downward trend as production during the current season is projected to have declined to 20,200 MT from 28,080 MT in 2018-19, a decrease of 28%.

Companies



TACKLING COVID

Anand Mahindra, chairman, Mahindra Group

Lockdown extensions aren't just economically disastrous, as I had tweeted earlier, but also create another medical crisis... The choices aren't easy for policy makers but a lockdown extension won't help. The numbers (coronavirus cases) will continue to rise and the focus must be on rapid expansion of field hospital beds with oxygen lines. The army has enormous expertise in this

Quick View

Deepak Fertilisers to raise ₹180 crore through rights issue

DEEPAK FERTILISERS and Petrochemicals Corporation (DPFCL) on Monday said its board has approved raising of ₹180 crore through rights issue. A committee in this regard has been constituted to decide the pricing of the issue, ratio, record date, appointment of monitoring agency, advertising agency and other things as may be required in accordance with the applicable laws, the company said in a regulatory filing.

Mercedes offers 10-year auto loan

LUXURY CAR manufacturer Mercedes-Benz has launched a 10-year extended loan tenure in a bid to attract customers and create positive sentiment in the market. Apart from the 10-year tenure, the new financial product, called Wishbox 2.0, offers a lower financial cost with EMI of ₹1,499 per lakh, an EMI-free period for the first three months and a guaranteed five-year buy-back option.

Toyota Kirloskar to resume production on May 26

TOYOTA KIRLOSKAR Motor (TKM) announced restarting of production at its manufacturing plant in Bidadi, Bengaluru. "The production will resume from May 26 in a phased manner, in concurrence with the directives of both state and central governments," TKM said. More than 290 Toyota dealerships are partially operational and close to 230 service outlets have also opened.

Chambal Fertilisers' FY20 net profit up 124.53%

CHAMBAL FERTILISERS and Chemicals has reported annual revenue of ₹12,205.95 crore for FY20, up by 20.92% y-o-y. Annual net profit came in at ₹1,224.31 crore, up by 124.53% y-o-y.

CWC pays interim dividend for 2019-20

CENTRAL WAREHOUSING Corporation (CWC) achieved its highest ever turnover of about ₹1710 crore during 2019-20. CWC has declared interim dividend for the year 2019-20 at 95.53% of its paid-up capital as against 72.20% last year. Of total dividend of ₹64.98 crore, the Centre's share is ₹35.77 crore.

NAREDCO offers to give work to migrant labourers

TO HELP migrant labourers during the nationwide lockdown, National Real Estate Development Council (NAREDCO) has made an offer to the UP government to give employment to displaced labourers from the state, provided the state government facilitates the same with proper legislation, and provide some kind of assistance to the real estate sector to enable them to re-start their stalled projects. The legislation, it said, should be such that the incumbent labourers shall get themselves registered with an accredited agency of the state government or the developers' body, and the developers would provide them jobs according to their requirements.

Spinny sells 300 cars during Lockdown 4.0

USED CAR platform Spinny has said it sold over 300 cars during Lockdown 4.0, by implementing what it calls is a "contactless delivery system." Under this, the platform introduced home test drives, and offered buyers zero-contact home delivery of their cars. It added that it aims to get back to pre-Covid-19 numbers by June.

SCOPE holds webinar on issues of arbitration

Standing Conference of Public Enterprises (SCOPE) organised a webinar on 'Issues in Arbitration and Future of Virtual Hearings.' The webinar, the 7th in a series, deliberated upon critical issues of arbitration arising in public sector enterprises (PSEs) and how the disruptions due to Covid-19 are being converted into opportunities to explore technological and digital means to conduct hearings.

COVID IN AUTO MODE

Dwindling sales: TVS Motor effects pay cuts across levels

FE BUREAU
Chennai, May 25

HIT HARD BY the dwindling sales over the months coupled with the lockdown due to the Covid-19 pandemic, TVS Motor Company said it has rolled out a temporary salary reduction across levels for a period of six months. Companies such as Apollo Tyres, among others, recently announced pay cuts across categories.

When contacted, a company spokesperson said, "In the wake of the unprecedented crisis, TVS Motor Company has rolled out a temporary salary reduction across different levels for a period of six months (May to October, 2020). There will be no salary reduction at the workmen level. However, there will be 5% salary reduction at the junior executive level and about 15% to 20% at the senior management level. It was heartening to see employees coming forward and offering to take salary reduction voluntarily."

Despite zero sales in April, most auto companies have paid salaries. Bajaj Auto too announced a pay cut but withdrew the same later.

The entire automotive industry has gone through a crisis for over a year now

It may be recalled that the entire automotive industry has gone through a crisis for over a year now due to overall economic slowdown, lack of consumer interest and liquidity crisis, among other reasons. When things started looking up in the February-March period, the global Covid-19 pandemic brought a rude shock to the entire industry and forced the companies to close down operations in the third week of March, which further put pressure on the industry.

With predictions by pundits showing no turnaround even in this fiscal, with a double-digit degrowth, auto companies have been pushed to take up austerity measures, including pay cuts for employees, job cuts, cost-cutting at operational levels and so on. It remains to be seen how things will play out going forward, sources pointed out.

Bosch to observe production holidays in TN plant on demand slump

R RAVICHANDRAN
Chennai, May 25

WITHIN DAYS OF resumption of production post the Covid-19 lockdown, mobility solutions major Bosch said that it has decided to observe production holidays at one of its plants in India due to paucity of demand, keeping in mind the slowdown blues over the last one year that hammered the entire automotive industry.

In a communication to the stock exchanges, Bosch said that in order to align production with sales requirements, the company's Gangaikondan plant in Tamil Nadu would observe 'no production days' for a week effective Monday (May 25) to May 31 (inclusive both days).

Interestingly, the company had only resumed operations in this plant on May 11. The TN plant handles production for Bosch's gasoline systems business division, manufacturing power-train sensors, fuel-delivery modules and air-management components for automotive and two-wheeler systems.

Over the last one year, many automotive companies, including Bosch, have gone on production holidays a number of times due to overall economic slowdown, new axle-load norms, lack of demand, liquidity problems and poor consumer sentiment.

This apart, a sharp cost escalation across product categories due to migration to BS-VI emission norms, which also dampened the spirit of purchase even in the fourth quarter. To add to the woes further, the outbreak of the Covid-19 pandemic and lockdown for close to two months have further hit the industry. Many industry analysts as well rating agencies have projected deep degrowth of the industry even in fiscal 2021.

In its results announced recently, Bosch reported 18.6% drop in its total revenue from operations during the FY20 due to the slowdown in the auto industry. Profit before tax (PBT) from continuing operations and before exceptional items stood at ₹1,636 crore, down 29.9% compared to the previous year. For the quarter ended on March 31, 2020, total revenue from operations declined 18.1% compared to the same period of the previous year.

"The financial figures reported are inline with the downward trend in the automotive industry, which has been going through a challenging phase for some time and is now having to deal with the impact of the coronavirus. More than ever, it is now important to stay connected with associates and customers and assess ground level activities. We have to prepare ourselves for a prolonged slowdown in the market in FY 2020-21," said Soumitra Bhattacharya, managing director of Bosch, post results.

He further said that during FY20, Bosch made a provision of ₹717 crore towards various restructuring, reskilling and redeployment initiatives. These provisions are in line with the company's transformation initiatives and have been made to capitalise on opportunities emerging in electromobility and other mobility related projects. Bosch is adapting to the current market developments with measures to manage resources and enhance operational efficiencies. Various restructuring and transformation projects are under implementation to secure future profitability and growth. "We will continue our investments in future business viz electrification, mobility services and revamping of our campus as a technology hub."

Speaking about the outlook for the current fiscal year, Bhattacharya commented: "As a leading automotive technology company with 80% of our revenues driven through mobility business, we have been affected severely. We are still awaiting to receive further guidance on industry-specific stimulus package that will support the auto sector."

Suzuki Motor resumes production at Hansalpur plant in Gujarat

PRESS TRUST OF INDIA
New Delhi, May 25

MARUTI SUZUKI INDIA (MSI) on Monday said Suzuki Motor Gujarat has resumed manufacturing operations after having suspended work for over two months due to coronavirus lockdown.

Suzuki Motor Gujarat (SMG) manufactures cars on a contract basis for MSI.

The company has been informed by SMG that it would re-start production of vehicles from the May 25, strictly in accordance with the government regulations and guidelines, MSI said in a regulatory filing.

SMG had suspended production at the Hansalpur (Gujarat) plant on March 23 to check the spread of Covid-19.

The facility, which rolls out two models, the Baleno and the Swift, currently has an installed production capacity of 5 lakh units per annum.

MSI has already commenced operations at its two plants in Manesar and Gurugram.

Both the plants have an installed capacity to produce over 15.5 lakh units per annum.

The Gurugram facility rolls out models like the S-Cross, the Vitara Brezza, the Ignis and the Super Carry light commercial vehicle.

Suzuki Motor Gujarat had suspended production at the Hansalpur plant on March 23 to check the spread of Covid-19

The Manesar plant, on the other hand, produces high selling models like the Alto, the Swift, the Dzire, the S-Presso, the Ertiga and the Baleno.

One Maruti employee tests Covid-positive

FE BUREAU
Chennai, May 25

CAR MAJOR MARUTI Suzuki said that one employee of the company's Manesar plant tested positive on May 22, 2020 for Covid-19. His last attendance in the plant was on May 15, with normal health, after which his residence area came into a containment zone and he did not join work thereafter, said a company spokesperson.

The company has informed the district administration. The employee has been admitted to hospital and is stable. The company is providing all medical help and assistance to him as per government guidelines.

The company has undertaken a contact-tracing exercise and as caution, all employees who could possibly have come in contact have been advised to stay in home isolation.

The spokesperson further said that the company has in place a robust and carefully designed SOPs for maximum safety against infection spread at the workplace and transition, which goes beyond compliance requirement. In addition, there is also a Covid-19 task force that closely monitors adherence to the SOP in the company. There is no impact on the business operations of the company, the official pointed out.

There may be a possibility of a second case of infection that has just been reported. More information is being sought. The company will follow the same detailed procedure as above, the official added.

Rico Auto lays off 119 workers from Dharuhera plant

PRESS TRUST OF INDIA
New Delhi, May 25

RICO AUTO INDUSTRIES on Monday said it has laid off 119 permanent workers from its Dharuhera plant in Haryana with effect from May 22.

In a regulatory filing, the auto-components maker said it had introduced VRS (voluntary retirement scheme) for its permanent associates in Dharuhera facility in October, 2019 to rationalise manpower based on business demand.

However, only 42 associates out of 208 took the VRS and to run the plant on a sustainable basis the company needed to reduce the manpower substantially, by another 119 persons, it added. "It is for this objective of viability of the plant that 119 workmen have been laid-off with effect from May 2020," Rico Auto Industries said.

The sacked workmen will be paid compensation as per the provisions of Section 25C of the Industrial Dispute Act, 1947, it added. Rico supplies components to various four- and two-wheeler companies.

Fund houses have exposure of ₹143.93 crore in debt papers issued by Essel Group cos: Data

CHIRAG MADIA
Mumbai, May 25

ONGOING PROBLEMS FOR Franklin Templeton Mutual Fund seem far from over. Last week, the fund house announced that non-convertible debentures (NCDs) issued by Essel Infraprojects were unable to meet the maturity obligation. The fund house has also appointed a legal counsel and is actively considering all necessary actions to maximise recovery value.

Apart from Franklin Templeton MF, other fund houses such as HDFC MF and UTI MF have total exposure of ₹143.93 crore in debt papers issued by Essel Group companies, as on April 30, 2020 shows data from Value Research. While Franklin Templeton MF had invested in Essel Infraprojects, HDFC MF has exposure worth ₹7.25 crore in Edisons Infrapower and Multiventures and Primat Infrapower & Multiventures — both of which are Essel Group companies. Two schemes of UTI MF have investments worth ₹44.34 crore in Zee Learn as in April-end.

Franklin Templeton MF said that these NCDs have a maturity value of ₹616 crore but is currently valued at ₹92 crore, which is 15% of maturity value after providing haircut of 85%. "These NCDs are backed by a pledge of listed shares of Zee Entertainment Enterprises, Dish TV India, unlisted shares of Essel Infraprojects, personal guarantee of Subhash Chandra and corporate guarantee," said Franklin Templeton MF in its statement.

All the four schemes of Franklin Templeton MF that had exposure to Essel Infraprojects are currently under winding-up by the fund house. Last month, Franklin Templeton MF had announced winding up of six debt schemes due to the lower liquidity in the Indian bond markets for most debt securities and high levels of redemptions, following the novel Coronavirus outbreak and lockdown.

Last week, Franklin Templeton Mutual Fund had announced that non-convertible debentures issued by Essel Infraprojects were unable to meet the maturity obligation

Other fund houses such as Kotak Mahindra MF, ICICI Prudential MF, among others, had exposure to debt papers by Essel Group companies, but these fund houses recovered their money in September last year. In November last year, Aditya Birla Sun Life Mutual Fund had created a segregated portfolio amounting to ₹787 crore in Aditya Birla Sun Life Medium Term Plan, Aditya Birla Sun Life Credit Risk Fund and Aditya Birla Sun Life Dynamic Bond Fund because of default in payment by Adilink Infra & Multitrading Private Limited, which is an Essel Group Company.

INTERVIEW: VIVEK GAMBHIR, MD & CEO, GCPL

'Focus to be on driving growth as margins are quite reasonable'

Godrej Consumer Products (GCPL) posted weak numbers for Q4FY20 results. GCPL's MD & CEO **Vivek Gambhir** *tells* **Shubhra Tandon** *the reasons for the same, about overall demand outlook and his take on the government's stimulus package. Edited excerpts:*

January to mid-March was a normal quarter, with lockdown starting only in the last 10 days of March. However, GCPL's numbers have been severely impacted. Kindly explain.

The impact of Covid-19 was quite adverse on our business and it has been a challenging quarter. Till February, we witnessed an industry-leading 5% year-to-date volume growth. However, the spread of the virus and the eventual lockdown in many geographies of our operations resulted in zero sales in the last 10 days of March. This significantly impacted our sales performance, particularly in India and Africa. In India the impact was substantial, as typically in the last couple of weeks of March, we usually see high sales as it's the onset of the summer season for soaps and mosquito infestation in Northern India. However, it's been comforting to see some recovery and positive growth in April and May.

Adjusted for the Covid-19 impact in the fourth quarter, GCPL's numbers would have remained weak and analysts say that the current environment lends good opportunity for course correction. Your comments.

We believe that this year will see the resurgence of our home insecticides business. Apart from Covid, consumers will need to protect themselves from vector-borne diseases like dengue and malaria. We expect a flight to value in the near term, given potential job losses and incomes coming down. Apart from this, we are seeing big opportunities in hygiene.

What is the impact on margins and could we get an outlook on margins for FY21?

The situation is dynamic and we will have to wait and see. Raw material costs so far are under control. However, labour shortages and adhering to safety norms could increase our cost of production. So, we have tightened our belts and cut indirect spends. Our focus will be on driving growth since our margins are quite reasonable. If this means taking some short-term hits on margins, we are prepared to do that. In the long term, we remain confident about delivering sustained profitable growth.

There has been some resumption in activity now; how has it been for GCPL in terms of opening of manufacturing units and supply chain?

All our factories and CFAs are operational. We are currently operating at 60-70% production levels with about 50% labour. Most of our distributors are operational, sales are improving by the day but active servicing of the market through our sales representatives has been a challenge. Currently, the big issue is labour availability. To me, that is going to be the highest challenge. However, we are optimistic that by June-July, we will get to 80%-90% production levels. In parallel, we will have to keep learning how to operate with reduced labour, so a part of our strategy is also to try and look for third party manufacturers.

The government has stated more relaxation even in red zones. Have you seen any pick-up in demand?

Demand has been picking up across several categories, particularly in consumer staples. The challenge in the near term is more to do with availability and getting adequate supplies in the market. Demand will depend on jobs, income and consumer sentiment.

How did you read the stimulus package announced by the government, will it spur demand?

Someone pointed out that this is not really a stimulus package, but more of a sedative. Certainly, initiatives such as increased allocations for MNREGA will help boost the rural sector. Focus on liquidity support and risk underwriting will provide some relief to MSME's. However, there is not enough focus on boosting immediate demand. The quantum of actual fiscal spend is too small to support a recovery. A lot of the package includes RBI measures, future commitments and policy changes. These are necessary but not sufficient.

Start-up Livspace lays off 450 people

PRESS TRUST OF INDIA
New Delhi, May 25

BENGALURU-BASED LIVSPACE, which is into home design and renovation, has laid off 450 employees — 15% of its total workforce — due to an adverse impact of the coronavirus-induced lockdown.

The decision to lay off was taken last week. Earlier this month, leading co-working operator WeWork India also announced laying off nearly 100 employees. Founded in 2015 by Ramakant Sharma and Anuj Srivastava, Livspace provides a three-sided marketplace and a design automation platform that connects homeowners, certified designers and vendors.

Livspace uses data science-enabled algorithms to match homeowners with designers (based on style preferences, budget, scope of work and timelines). "Due to the Covid-19 pandemic, like every business in the discretionary purchase sector, Livspace also has experienced a sudden and unpredictable impact on business," the company said in a statement.

Company blames adverse business impact from Covid-19

Earlier in April, its founders gave up their annual salary, the leadership team relinquished their annual bonuses and the company introduced success-based variable pay across the board, it said. "But, we are definitely seeing a more unpredictable recovery path with the conditions still being very unstable, and, in response, we are steering the company in a more focused and leaner direction," Livspace said. The company decided to downsize its employees strength. "About 15% of the organisation or 450 people have been impacted due to this decision, which, honestly, was the last resort for us," Livspace said, adding that it was an extremely difficult decision.

Livspace said the company will provide health cover to these 450 employees and their families for the next three months. "Every confirmed employee who has spent more than three months at Livspace will receive extra pay proportional to the duration of their service. As a result, people will be receiving anywhere between one to four weeks worth of extra pay," the statement said.

This monetary package has been created beyond any contractual obligations, it added. In line with contractual requirements, and in addition to the assistance package, employees will receive one month's pay for serving the notice period or in lieu thereof.

CAI reduces cotton crop estimate to 330L bales

FE BUREAU
Pune, May 25

THE COTTON ASSOCIATION of India (CAI) has reduced its cotton crop estimate for 2019-20 by 24.50 lakh bales to 330 lakh bales. Each bale is 170 kg.

The cotton body has released its April estimate of the crop for the season 2019-20, beginning October 1, 2019. The estimates were reduced as farmers were uprooting cotton plants without waiting for the last pick. The reasons being farmers opting for rabi crops, besides water availability. Due to the two-month lockdown, ginning factories were completely shut from March 23 to April 30 and since the restart of operations, they have been operating at 20% of capacity, crop committee members pointed out.

Even now, there is labour shortage in the factories due to partial relaxation of lockdown norms, and rainfall is expected to arrive by June 15, because of which lots of kapas will be carried forward to the next season, Atul Ganatra, president, CAI, said. "Gujarat is the worst-affected state, where 15-20 lakh bales of cotton arrive from other states like Telangana, Andhra Pradesh, Maharashtra, Karnataka, Madhya Pradesh and also the northern states. However, due to the direct procurement by the CCI at the MSP rates in all states, arrival of cotton to Gujarat from other states will be reduced. Due to the lockdown and labour shortage, fewer factories will operate, resulting in more kapas being carried forward to the next season," he explained.

If the Cotton Corporation of India and the Maharashtra Cotton Growers' Marketing Federation stop purchasing cotton early, the production will go down further and the farmers will carry more kapas to the next year. The rates offered by the private buyers are very low compared to that of the government agencies, Ganatra said.

The total cotton supply estimated by CAI from October 2019 to April 2020 is 329.59 lakh bales. This consists of the arrivals of 285.09 lakh bales, imports of 12.50 lakh bales up to April 30 and the opening stock estimated by the CAI at 32 lakh bales at the beginning of the season.

The CAI has estimated cotton consumption during the months between October 2019 and April 2020 at 160 lakh bales, while the export shipment of cotton upto April 30 is estimated at 32.50 lakh bales.

CAI estimated stock at the end of April at 137.09 lakh bales, including 25 lakh bales with textile mills and the remaining 112.09 lakh bales with CCI and others (MNCs, traders, ginning factories, etc.).

The crop committee of the association has estimated total cotton supply till end of the cotton season i.e. upto September 30 at 377 lakh bales (against 411.50 lakh bales estimated in April). The domestic consumption estimated by the CAI for the entire crop year upto September 30 is 280 lakh bales (against 331 lakh bales estimated in November 19), a reduction of 51 lakh bales. The CAI has estimated exports for the season at 47 lakh bales as against 42 lakh bales estimated earlier.

Ikea India starts contactless shopping in Hyderabad store

IKEA INDIA HAS restarted its online services in Hyderabad store in conformity with the latest government guidelines. The company on Monday launched 'click and collect' - a safe and contactless shopping experience. This feature gives customers access to household products like work furniture, cooking essentials, children's furniture or textiles while keeping in mind safety and convenience.

Ikea India, part of the Ingka Group, opened its first retail store in Hyderabad in August 2018, followed by online stores in Mumbai, Hyderabad and Pune in 2019. The company recently introduced its online home furnishing and remote planning services in Hyderabad and Mumbai. Mumbai is the first Ikea market to go online without physical stores.

The 'click and collect' service ensures minimal contact between co-workers and customers when customers arrive to collect products from the store. Customers can order Ikea products on the company website, pay online and select the 'click & collect service' option when checking out. Its delivery team will prepare the order for them to pick up from the 'click and collect' station in the store's car parking area. —FE BUREAU

Covid-pushed biz spike sends fintech player on hiring spree

M SARITA VARMA
Thiruvananthapuram, May 25

AT A TIME when most business giants are stuck in firing dilemmas, India's fintech bellwether player ClearTax is getting busier on its hiring spree.

With the lockdown pushing up its tax/filing cloud business by as much as 30% every month, ClearTax has gone short of design experts at its research and development pool in Bengaluru.

"We are preparing to hire 25% more people in our 150 people-strong engineering and design division immediately, as business has been pacing up during the Covid days. And since our tax-filing product is cloud-based, our priority would be for the right candidate with engineering and design skillsets, irrespective of the city they are working from," says Archit Gupta, founder and CEO, ClearTax.

Gupta is aware that hiring during the lockdown wouldn't be easy. "Interviews will have to be over video-conferencing. Offer roll-outs and employee onboarding will have to be remotely managed and laptops couriered," he said, "but then we operate on cloud anyway and our staff have been working from homes.

"The sudden surge in business happened because even the tax-filing deadlines extended over lockdown has been fast approaching. While in 2019, about 300-500 chartered accountant firms per month had been signing up with ClearTax's TaxCloud, in 2020, post-lockdown, the monthly average number of new clients has grown to 1,500. ClearTax is the market leader in India's fintech segment of filing tax and GST."

Gupta observed that, given the lockdown situation, the Union government might take its GST2.0 reforms forward.

"In that case, we are technologically prepared to go with it, plying the 4G and Jio infra supports. Without anticipating Covid or lockdown, we had been investing in data scientists and mobile application experts to build our capacities," he said.

Since the time of its inception in 2011, the start-up has seen equity investment to the tune of $65 million, with investors ranging from Silicon Valley-based Y Combinator, Scott Banister, Composite Capital, Sequoia Capital, SAIF Partners and PayPal co-founder Max Levchin.

Projects delay to hit FY21 profitability, says Cochin Shipyard

PRESS TRUST OF INDIA
New Delhi, May 25

COCHIN SHIPYARD ON Monday said projects delay on account of Covid-19 will have an adverse impact on financial performance and profitability of the company during FY21 but the assessment of the blow will be possible only after stabilisation of operations in the yard.

However, there will not be any additional impact due to liquidated damages for delay in running projects as the company has already invoked force majeure clause available in all the contracts, by which the contractual delivery dates will get automatically extended to compensate the lockdown period, it said in a filing to the BSE.

"As the operations were stopped w.e.f. from 23rd March 2020, only six days production was lost in FY20, hence the impact on the financials of FY20 will be minimal. Delay in running projects will have an adverse impact on financial performance and profitability of the company during FY21," it said.

It said there were delays in capex projects in Kochi, Mumbai, Kolkata, Port Blair as well as subsidiaries of company viz. Hooghly Cochin Shipyard Limited and Tebma Shipyard Limited which was acquired by bidding at NCLT in March 2020 and will result in consequent loss of production.

Withholding of future projects/cancellation of few running enquiries and potential projects have to be put on hold citing liquidity issues, it said.

With effect from May 6, the company started its operations at the main unit at Kochi with entire permanent workforce.

The Kochi unit alone contributes more than 90% of the turnover of the company in a year. The units in Mumbai and Kolkata are still closed due to the lockdown and will be opened only after the restrictions are over, the company said.

It said all permanent employees of the company are reporting to work from May 6, 2020 onwards in two shifts, the company said adding, each each shift contains not more than 50% of the total strength.

To catch up with the lost production days, the second and fourth Saturdays which were closed holidays have now been declared as normal working days until further notice, it said and added, henceforth there would be six working days in a week, the company said.

"As the company is practically zero debt company except for the tax free bonds of ₹123 crore, debt servicing does not pose any serious impact," the statement said.

While there is a delay in collection of receivables from the customers especially from the government, the company does not foresee any credit risks, it said and added that the company does not foresee any liquidity challenges to meet its supplier obligations.

Reverse migration may boost realty demand in Tier-II & -III cities: Anarock

FE BUREAU
Chennai, May 25

REVERSE MIGRATION CAN spur housing demand in Tier-II & -III cities after Covid-19, and cities like Lucknow, Indore, Coimbatore, Jaipur and Ahmedabad would be the main beneficiaries of the reverse migration of professionals, who have lost their jobs in the metros, or are likely to lose their jobs, revealed an Anarock report titled "India real estate: A different world post Covid-19".

Reverse migration is already very much visible among migrant labourers, and this trend can further percolate to skilled professionals, who have been or may be off-rostered. Smaller towns and cities would consequently see a towards rental housing - purchase demand would initially come from local investors, keen to meet the rental demand, the report said. The returnees will benefit from the cost of living and superior infrastructure that many Tier-II and Tier-III cities provide.

Anuj Puri, chairman, Anarock Property Consultants, said, "Many NRIs will also return to India amid dwindling job prospects, particularly in the US and the European nations that account for nearly 70% global cases. For them, the top seven cities would be the best options, but many will consider smaller cities where they can be close to their families. Finding suitable employment for reverse-migrating Indians in smaller cities may prove to be challenging."

Interpol notice against Nirav Modi's brother put up for public again

PRESS TRUST OF INDIA
New Delhi, May 25

THE INTERPOL HAS placed the Red Corner Notice against fugitive diamantaire Nirav Modi's brother Nehal in public view again, after he recently lost an appeal against its issuance by the international police cooperation body last year, on the request of Indian agencies, officials said.

A Belgian citizen, Nehal Deepak Modi is wanted by the CBI in a case of alleged fraud committed by his elder brother, Nirav, in the Punjab National Bank, they added.

Nehal Modi's name figured as the accused number 27 in the supplementary chargesheet filed by the CBI, which charged him for destroying evidence in Dubai to cover the tracks of the alleged crime, the officials said.

Based on a request from Indian agencies, the Interpol had issued a Red Corner Notice (RCN) against Nehal Modi and put it up for public viewing to enable gathering of information about him.

An RCN is a request to law-enforcement agencies worldwide to locate and provisionally arrest a person pending extradition, surrender or similar legal action. Nehal Modi challenged it before the Commission for Control of Interpol's Files (CCF), an independent body that ensures that all personal data processed through Interpol's channels conforms to the rules of the organisation.

Any individual can approach it with a request for deletion or correction of information held in the Interpol Information System. Once the request challenging the RCN was received from Nehal Modi last year, the Interpol hid it from public glare but kept it alive, only to be accessible to the law-enforcement agencies of member countries, the officials said.

The CCF had sought clarifications on Nehal Modi's arguments from the CBI, which provided a strong counter-argument against his plea. After going through the exhaustive response filed by the agency, which keenly followed up the matter, the CCF rejected Nehal Modi's plea recently and the RCN was again put in public domain, the officials added.

In its chargesheet, the central agency has alleged that Nehal Modi had threatened the directors of Dubai-based shell companies, used by Nirav Modi to show fair businesses, to prevent them from joining investigations. It is alleged that he forcibly shifted them from Dubai to Cairo, after destroying their mobile phones, laptops and the server to cover the tracks.

These persons, employees of Nirav Modi Group companies, were forced to sign certain documents to show that they were the real owners of those companies in Dubai and Hong Kong, which were shown as engaged in export and import with the three accused firms —Diamonds R US, Solar Exports and Stellar Diamond.

Opinion

TUESDAY, MAY 26, 2020

FUEL FOR THOUGHT

Union petroleum minister Dharmendra Pradhan

Low crude prices do not reflect the real economics of oil refining and pricing of end products. Our government's view is to take a cautious and conscious approach of a balance in price...and use it for welfare

Gujarat must learn the right lessons

HC's criticism reveals its failure in public healthcare; the state also must get testing right

THE GUJARAT HIGH Court's stinging criticism of the state government for its handling of Covid-19 did come in the context of immediate concerns. But, the problems of infrastructure of which the HC took note—it compared the Ahmedabad Civil Hospital with "dungeons"—are probably symptoms of a deeper malaise. With private hospitals refusing to admit Covid-19 patients despite the state government having asked them to reserve 50% of their beds for the pandemic, the HC ordered strict action against them and said, "We do not want the Government to now plead before such private corporate hospitals with folded hands." But, what can a state with a lower number of active primary health centres (PHCs) than even Bihar do, other than seek the private sector's favour? Gujarat has just 704 active PHCs against Bihar's 1,480, as per the Union health ministry's *Rural Health Statistics 2019* data, and the state was short of its required number of urban PHCs by 50%. That missing public healthcare strength surely hobbled Gujarat's response, given it could have been, at the very least, used as isolation facilities. To be sure, the present government can't be blamed—the sorry state of public healthcare is a chronic ailment, with successive state and central governments having failed to give it the required attention. But, the present government's slipshod response is definitely not helping matters.

Noting that government hospitals are now struggling with the increasing number of patients and are "burdened with the lack of PPEs, shortage of ventilators, ICUs and isolating wards for Covid-19 patients", the HC directed the state government to "initiate appropriate legal proceedings against all those private/corporate hospitals who are not ready and willing to honour the understanding arrived at with regard to treating the COVID19 patients including those who are not agreeable or willing to cooperate and enter into an MoU." The state could be empowered to move in this manner—indeed, neighbouring Maharashtra has already commandeered a significant chunk of private healthcare capacity—but, there is no glossing over its failure to create the requisite healthcare capacity, and its failing to maintain existing capacity in an optimal manner. Like the HC has noted, of the 625 deaths in the state, 570 have been recorded in Ahmedabad alone and, of those, 351 at the Civil Hospital—indeed, while patients from the same areas are being brought to the state government-run Civil Hospital and the Ahmedabad municipal corporation-run SVP hospital, the mortality amongst patients in the former is 13% while it stands at 7% for the latter. The scale of mismanagement at the state-run facility is evident from the HC judgment taking note of a whistleblower complaint that warns that conditions at the hospital are so poor that the doctors themselves might turn super-spreaders.

The High Court was also critical of the state government "gatekeeping" Covid-19 testing and said, "The argument that 'more number of tests which lead to 70% of the population testing positive for Covid, thereby leading to fear psychosis' should not be a ground to refuse or restrict the testing." This is quite telling of the poor response that the Gujarat government could be mounting. If testing is being staggered—during the second lockdown, the state was conducting 2,993 tests per day, which went up to 4,167 per day by the end of the third, and is now at 4,908—it will lead to a much larger problem than the one the state has on it hands right now.

Off track, in the air as well

Railways ignore '*do gaz ki doori*', so does aviation industry

THE SHARP JUMP in infection levels in states that are seeing large reverse migrant flows should, if nothing else, make the government rethink its strategy to reopen the economy. In Uttar Pradesh, the number of infected rose from 4,258 on May 17 to 6,268 on May 25, and in Bihar, from 1,179 to 2,587 over the same period. Part of this was unavoidable, given how migrants were desperate to go back home when the jobs completely dried up after the first lockdown and showed no signs of getting better as the lockdown kept getting extended. In other words, the infection had to spread as the migrants returned home. Two, given the way infections are galloping, even after many weeks of a fairly strict lockdown, it is clear they are going to keep rising as the economy opens up. And the economy can't be shut down forever as there is no way the government can compensate people for even a fraction of the income lost due to a lockdown. But, what is worrying is the manner in which some decisions are being taken.

The decision to allow inter-state movement of trains, for instance, was taken when the central government had not even allowed intra-state bus services to restart, for fear of the infection spreading. Apart from the issue of whether the air-conditioning in the trains needed to be redone—to ensure adequate inflow of fresh air—while the prime minister repeatedly spoke of '*do gaz ki doori*', the Railways was selling AC-3-tier tickets while filling in the third seat/berth as well. It is physically impossible to seat six people in an area—there are six beds in each section of the compartment—while maintaining '*do gaz ki doori*'.

The same seems to be getting reenacted now that air travel is being allowed. The aviation minister first said he was not in favour of keeping the middle seat vacant because that would result in the prices getting jacked up by a third. Apart from the fact that the price ceilings put by the government make that impossible, it was always clear that lockdowns, and social distancing, would impose a cost on the economy, but it was a cost that needed to be borne. If this wasn't enough, the minister said that anyone who had Aarogya Setu on their phone didn't need to be quarantined, but it is clear to everyone that an app on a phone is not a substitute for an RT-PCR test. To compound all this, the national carrier—that has been living off taxpayer money for several years now—had the gall not to implement the middle-seat-empty rule while bringing back Indians from overseas—when it was asked to do so by the Bombay High Court, it even went and challenged this in the Supreme Court (SC). Amazingly, the SC allowed Air India to carry on selling even the middle seat till June 6. It is difficult to follow the prime minister's suggestions if, at the same time, his own ministers and PSUs are following a different set of rules. The fact that there is no coordination between the Centre and the states on starting rail, and now aviation services—especially on the vital issue of quarantining—adds to the discomfiture over how Covid-19 is being handled.

DataSECURITY

Given all the digital deployment in the Covid era, companies need to have data security audits

LAST WEEK, A Delhi-based tutor filed a petition in the Supreme Court asking for a ban on video-conferencing app Zoom for violating user privacy and security. The SC has admitted the petition and has asked the government to respond. While such lawsuits are uncommon in India, many private players in the US have had to pay a heavy price for violating user privacy. In January, Facebook settled a class-action suit in the US for \$550 million. The company was using facial recognition technology without taking prior permission from users. The illegal practice was in contravention of the Illinois Biometric Information Privacy Act. While Facebook and other social media platforms have had to bear the brunt of strict privacy laws in Europe—GDPR rules—and, increasingly, in their home country, India does not have any data laws to protect users. The data protection Bill has been pending before a joint parliamentary committee. While data protection may not be the government's primary concern as of now, with more people logging online and companies digitising offices to get work-from-home ready, there is a need for a data protection law wherein companies are made liable for breaches.

Right now, Sections 42, 66, and 72 of the IT Act guarantee some basic protection from data theft, but the Act does not fix liability on companies for ensuring security. As more users log online, there is a need to change this, and not view data casually. Companies must get a security audit of their websites or apps. And, if possible, a security audit of their digital infrastructure. Banks in India are mandated to carry out such audits, so it would not be surprising if companies do the same, hiring security audit firms or colleges for this purpose.

LEADING QUESTION

RBI NEEDS TO EXPLAIN WHY IT CANNOT ANNOUNCE FORECASTS FOR GDP AND INFLATION WHEN PRIVATE FORECASTERS, OTHER CENTRAL BANKS AND THE IMF ARE ABLE TO DO SO

The absconding forecaster

RAJEEV MALIK

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IN THE CACOPHONOUS analytical scrutiny of, and political volleyball over the efficacy of the government's recent marathon five-part series of measures, an important abdication of responsibility by the monetary policy committee (MPC) has been paid almost no attention. While unexpectedly announcing an outsized cut in the policy repo rate for the second time in less than two months, the MPC last week shied away—yet again—from offering a number (or range) forecast for India's real GDP growth and CPI inflation. The decision is disappointing and shows the Reserve Bank of India (RBI) in poor light, relative to its own institutional history and in comparison with other forecasters, including central banks.

Economies, like weather systems, are complex frameworks. However, unlike weather systems, economies rely on human behaviour that isn't always easy to map accurately, even in the best of stable conditions. Supply and/or demand shocks can alter that behaviour quickly and, sometimes, the changes can last for extended periods, if not permanently.

It is in the above context that macroeconomic forecasting remains an evolutionary process that is a subjective mix of science and art. Assessments about the economic outlook are affected by data inputs, and the trustworthiness of economic models. That is why reliable high-frequency economic data and surveys have a useful role in economic modelling, and successive forecasts are best seen as an evolving economic tapestry. But, for all the advancement in the tools and techniques used, forecasting is an inexact science—an economic model could be high on complexity and sophisticated mathematical response functions, but the forecaster's artful judgement, honed by experience, still matters in the final tally.

For the uninitiated, the Reserve Bank's forecasting team is responsible for the macro forecasts used by the MPC. The latest policy statement is missing the fan charts and the numerical forecasts for inflation and real GDP growth for the second consecutive meeting. Following the late-March measures, Governor Shaktikanta Das cited "heightened volatility, unprecedented uncertainty and extremely fluid state of affairs" as the reasons for the missing forecasts. It is unclear if the fan charts—or their truncated versions, or some forecast scenarios—were shared with the MPC.

On the outlook for inflation, the latest MPC statement concludes: "...pull down headline inflation below target in Q3 and Q4 of 2020-21." The Governor's statement, an unnecessary addition to the list of documents economists sitting in the trenches, and investors, have to rush to digest quickly following the policy announcment, states: "...the MPC's forward guidance on inflation is directional rather than in terms of levels. Going forward, as and when more data are available, it should be possible to estimate the path of inflation with greater certainty."

How much lower than the official inflation target of 4%, is left to the subjective assessment of individual forecasters. That gap contains relevant information about the persistence of the evolving disinflationary shock that assists in the mapping of expectations about the MPC's response function. But, RBI prefers not to stick its neck out; that responsibility has been outsourced largely to the private sector. And, never mind that even concluding that inflation in Q3 and Q4 of FY21 will be below target would have required a numerical forecast or assessment—unless they are winging it.

It gets better. The forecast for GDP growth is not only missing from the MPC's policy statement, there isn't a whiff about the extremely high likelihood of contraction in output in FY21. This crucial exclusion in the MPC statement is bizarre because the Governor's statement reads: "Given all these uncertainties, GDP growth in 2020-21 is estimated to remain in negative territory..." The choice of the word "remain" is intriguing because the prior Governor's or MPC statement didn't indicate expectation that GDP would contract.

The above oddity raises questions about process, transparency, and communication: First, when did RBI conclude that GDP will indeed contract in FY21, and why wasn't it announced clearly instead of last week's "quietly-slip-it-in" approach. Second, why is the MPC statement silent on the contraction in GDP? Surely, Das isn't working with a different forecast set from the one shared with the MPC panel he chairs.

It is unclear whether the omission about GDP contraction in the MPC statement was an oversight, a casualty of poor drafting, or a conscious choice by the powers to be. Whatever the reason or the motivation, the MPC should clear the air and also improve its communication. Indeed, the Governor's statement, which is effectively meant to be a grand summary of the MPC and non-MPC announcements, needs to avoid carrying potentially market-sensitive guidance or comment(s) that should be included in the MPC statement in the first place.

> **The forecast for GDP growth is not only missing from the MPC's policy statement, there isn't a whiff about the extremely high likelihood of contraction in output in FY21**

Unfortunately, economic forecasts are least reliable during periods of high uncertainty, when they are, perhaps, most needed. Any seasoned and confident forecaster will confess that forecasting becomes less accurate when an economy experiences a destabilising shock. The behaviour of economic agents is altered depending on the nature and longevity of the shock, which also impacts the time taken for various response functions to return to normal. Consequently, in such settings, the forecasts for key macroeconomic variables, such as GDP growth and CPI inflation, used for making policy decisions understandably carry lower predictability.

In defence of forecasters, turning points are inherently difficult to forecast. But, that is where the commercial reality of forecasting partly comes in. Since forecasts typically converge over time, investors prefer to have the first mover advantage to redesign their asset allocations and/or restructure their portfolios. The volatility in forecast errors, and the direction and magnitude of forecast revisions carry useful signals for investors and market economists. And, given the strong herd behaviour in forecasts as a result of which they are normally concentrated within a narrow band, sensible outliers attract attention, often amplified by media coverage.

Frankly, even if one is forgiving of the missing fan charts because of the unprecedented volatility, multifaceted uncertainty, and issues about the reliability of data and surveys because of the lockdown, the egregious absence of numerical guidance shouldn't be overlooked. RBI could have announced, say, a forecast range.

But giving up forecasts all together? That is embarrassing for RBI for two reasons: First, just about every professional economic forecaster—all of whom work with fewer resources than those at the disposal of RBI's forecasting team—are publishing forecasts, several with some quarterly granularity as well.

Admittedly, most private forecasters don't use the more time- and data-intensive econometric models, but the IMF and other central banks do, and they surely haven't given up publishing forecasts despite facing similar lockdown-related challenges. The current range of economic forecasts by the private sector is wider than what it typically is, and will likely be susceptible to sizeable revisions. That shouldn't be surprising given the unprecedented nature of the shock, the resulting heightened uncertainty, and the still-evolving policy response. But, and this is important, investors are used to digesting forecast revisions.

The Reserve Bank shying away from publishing forecasts, or even numerical guidance, for two key macro variables that form the foundation of the inflation-targeting framework is an abdication of a key responsibility. Indeed, RBI should explain what is so unique about it that it is incapable of publishing key economic forecasts when other forecasters in India and abroad are routinely able to do so.

A Covid-19 number worth watching

The reproduction rate is important for understanding not only what might happen but also how our behaviour can change the outcome

CATHY O'NEIL

Bloomberg

IT IS EASY to see why people might be frustrated with the mathematical models that the world's leaders have been using—and abusing—to decide how to respond to the coronavirus pandemic. First, they said the US might have 2.2 million deaths, then 60,000, then 100,000. One day it seems we're all going to die, and the next it is time to reopen.

That said, the better models contain a valuable element: the reproduction rate, or the number of people each sick person is likely to infect. Known as R(t), it is important for understanding what might happen and how our behaviour can change the outcome.

R(t) tells us how fast the disease is spreading at a given moment. If it is greater than one, the growth is exponential: One case can become a million in a matter of weeks. If it is less than one, the pandemic is petering out. It reflects both the nature of the virus and the measures people take to avoid infecting one another. It also tends to decline naturally: as time goes on, more people get sick, recover, and hence become immune, leaving fewer to infect.

R(t) can explain a lot. Consider, for example, how soon a place might reach herd immunity—the point at which enough people become immune that the disease can no longer spread exponentially. Let us say the initial reproduction rate—known as R(0)—is 3, the best estimate for the coronavirus. When everyone is susceptible, three people will get sick from the average infected person. But, if two out of three are already immune, only one will get sick. R(t) will be 1.

In other words, there is a predictable mathematical relationship. If R(0) is 3, the threshold for herd immunity is two thirds of the population. If R(0) is 4, the threshold is three fourths. Note that this is a lower bound, and doesn't necessarily apply to pockets of society—such as nursing homes, prisons, or crowded bars—where the local R(t) is higher.

So, what does this mean for the US? If R(0) is 3 and the population is 330 million, then about 220 million must get infected to achieve herd immunity. If the death rate is 1%, that is 2.2 million fatalities, assuming no change in social practices. This also happens to be what the now-famous Imperial College London model originally estimated back in mid-March.

But, people in the US have changed their social practices. They have stayed at home and started using masks, helping to push R(t) down below 1, judging from the declining daily numbers of fatalities. There also might be some effect from growing immunity, but it is minor, given that infections probably don't exceed 4% of the population. So, while the country remains very far from herd immunity, Americans have managed to postpone a lot of deaths, ideally until a vaccine can be developed.

> **R(t) can explain how soon a particular place might reach herd immunity—the point at which enough people become immune that the disease can no longer spread exponentially**

In the meantime, R(t) can still be useful. Tracked closely across states with different mitigation strategies, it can help calculate which practices and scenarios have the biggest effect. For example, we are learning it is rare to get infected with the coronavirus outside. Hello parks and barbeques. We've similarly learned how long it lasts on surfaces, how safe groceries are, how well surgical masks protect us. Just how bad is a baseball stadium with an open roof? Let's compute its contribution to R(t) and see if we can afford it.

The more data we have, the more we'll be able to focus on what works, and eschew measures where the cost outweighs the benefit—all with an eye toward keeping R(t) below 1. As a result, maybe life can be a little bit better as we inch toward the end of this ordeal.

This column does not necessarily reflect the opinion of the editorial board or Bloomberg LP and its owners

LETTERS TO THE EDITOR

Covid in Mumbai

Apropos of the column " Mumbai needs a lot better planning" (May 25), the sad reality of BMC's lack of preparedness comes to the fore every monsoon. This time, when Covid-19 has hit Mumbai hard, we know it is not only short of hospital beds but on other critical accounts, too. With migrant workers being either in the process of leaving Mumbai or having already left, it is likely that infection rates will spike up further. As the editorial itself highlights, the level of reporting from the city is not accurate, which may also be true of other parts of the country. But, Mumbai, being the financial backbone of the country, must be protected by all means. For creating more and better healthcare facilities, all stakeholders need to come on the same page and work toward the common objective of providing sufficient number of beds.
— Bal Govind, Noida

No quarantine SoP

The new health ministry norms and state-specific protocols, including mandatory quarantines, have left airlines and passengers at sixes and sevens. Most domestic flights will recommence across the country at once, but whether or not one will undergo quarantine will depend on the state one flies into. Business travellers are unable to digest the thought of being quarantined upon arrival. But, with buses, trains and planes taking off, stranded citizens have a reason to cheer.
— NJ Ravi Chander, Bengaluru

●Write to us at feletters@expressindia.com

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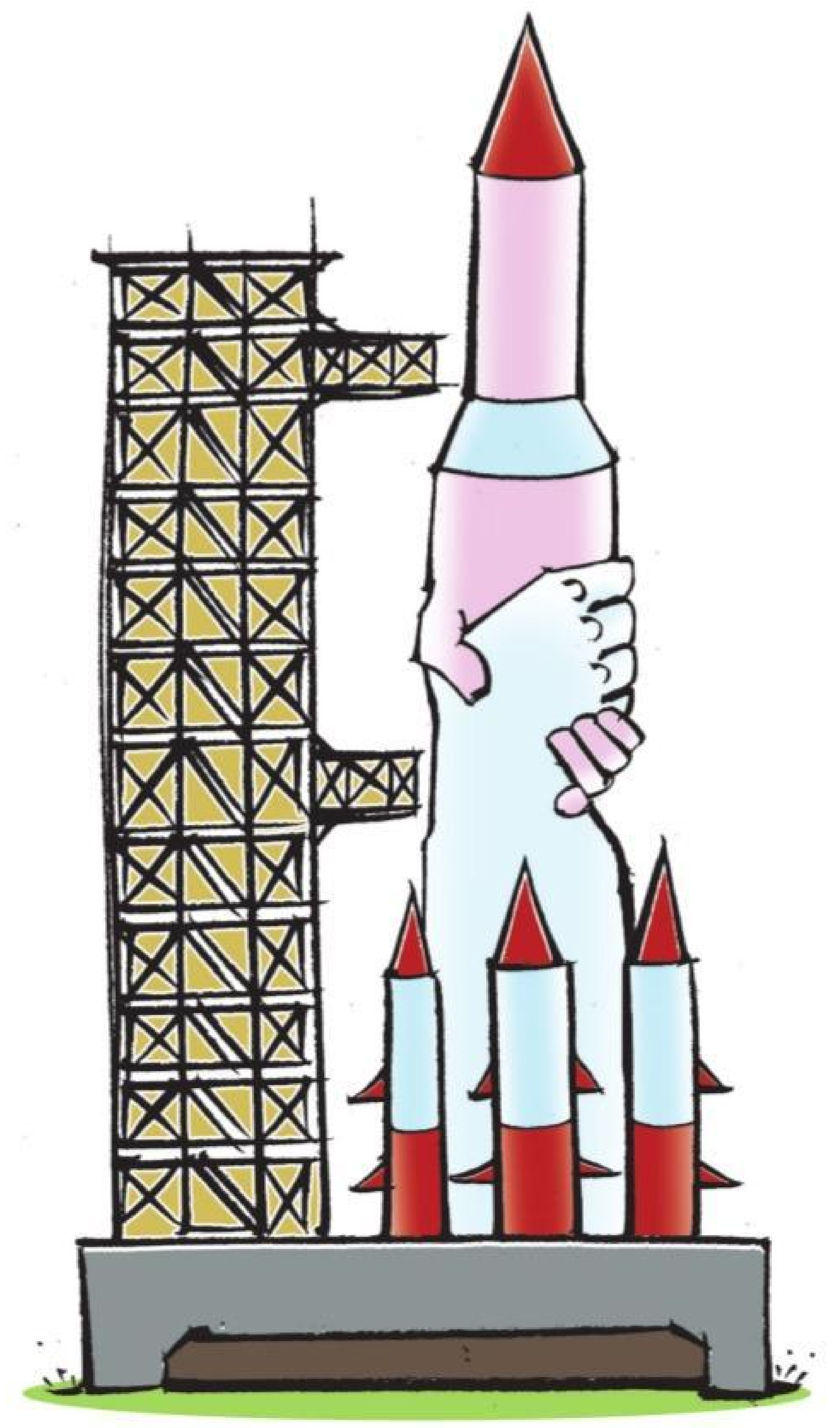


ILLUSTRATION: ROHNIT PHORE

PALLAVA BAGLA

The author has followed India's space developments for decades; his latest book is *'Reaching for the Stars: India's Journey to Moon, Mars and Beyond'* by Bloomsbury. pallava.bagla@gmail.com

Towards a *desi* SpaceX

Why does the private sector love and hate ISRO?

THE SURPRISING announcement by finance minister Nirmala Sitharaman that 'Indian private sector will be a co-traveller in India's space journey' was jarring at one level and music at another. The Indian Space Research Organisation (ISRO) has had a love-hate relationship with the private sector. There are many legal, regulatory, quality assurance and cultural issues that makes it a clash of cultures.

Privatisation of and at ISRO is not a new concept; the first time one heard of hiving off the Polar Satellite Launch Vehicle (PSLV) to the private sector was exactly 20 years ago—it never materialised as there are legal hurdles. That said, even today, 75-80% of the components of the launch vehicle are manufactured by the private industry so the industry is already subcontractor but not owner.

Many Indian companies want to develop their own rocket and satellite technologies and use the taxpayer paid testing facilities at ISRO to try out their products, for which ISRO can charge a fee. Since ISRO is both the judge and jury by owning technologies and being the regulator for space activities, it is reluctant to give up control. But the new initiative by the government may act as a catalyst. In a statement, ISRO said 'Department of Space will follow government guidelines and enable private players to carry out space activities in the country.' This is music to many new space start-up initiatives, but there can be many a slip between the cup and the lip.

On the other hand, it was jarring to hear Sitharaman talk about 'future interplanetary exploration' when India struggles with an unprecedented humanitarian crisis of not being able to provide decent transport to migrants being displaced due to Covid-19. The 'long march' (pun intended as the Chinese rockets are named Long March) continues.

Space is known to be a risky business and no fainthearted can survive in this sector. Returns are high but liabilities are equally high; the lack of a robust Parliament enacted 'Indian space law' or as ISRO calls it 'space activities Bill' is the biggest stumbling block. For three years it remains just a draft. How liability will be channelled in case of a disaster is not clear. All liabilities are borne by the Indian state or in effect the taxpayer cushions failures. Possibly, rightly so.

The Indian private industry, one has repeatedly seen, loves to work with ISRO but mostly as subcontractors, vendors and component suppliers; it is mostly merit that plays out in the tendering process at ISRO and payments are relatively prompt. But big-time private participation with ISRO has often run into hurdles, one of the episodes is so big that, as a fallout, ISRO has started 'physical distancing' (pardon the pun) from its own flagship PSU Antrix. The last time another private player, then a start-up, tried to make use of ISRO resources, it went belly up—it was TeamIndus.

The last time a private player partnered in a big way with ISRO was Devas Multimedia in 2005 in a multi-million dollar contract. But it catapulted by 2010 into what is called the S-band scandal. ISRO was to make and launch two satellites (GSAT 6 and GSAT 6A) and Devas was to provide the ground segment and the connectivity was to be given using the S-band frequency. It was made out to be ₹2 lakh crore scandal and finally the contract was annulled. One of our boldest scientists G Madhavan Nair paid the price for this. Devas has been winning cases in international tribunals and the sword of Damocles of coughing up billions of dollars in damages hangs over Antrix with liability passing on to the Department of Space (DOS) and the government of India—the fallout is DOS started treating Antrix as a stepchild.

DOS has even floated a new company called New Space India Ltd, and all business is being diverted to it. This is probably part of a well-calculated strategy for Antrix to become a non-entity and to be left only with liabilities and no assets before declaring it bankrupt. But the liabilities of up to $2 billion may still pass on to the government of India. Looking at this unfortunate tug of war in what the famous space scientist Kiran Karnik called 'a squeaky clean organisation', one would be surprised if big players may still want to be full but subordinate partners in India's space ambitions.

The other case where a private entity wanted to utilise resources of ISRO was TeamIndus—a group of Bengaluru-based starry-eyed entrepreneurs who dreamt of landing a satellite on the moon and bagging the Google Lunar X Prize. They ran out of money and the prize itself was shelved. But in this TeamIndus and ISRO deal, there was constant friction and the falling out between the bold start-up and ISRO was quite bitter, to say the least. The biggest unsaid contention was that puny TeamIndus wanted to achieve what the mammoth Indian space agency wanted to do—i.e. soft land on the moon. ISRO had its own Chandrayaan-2 in preparation, and TeamIndus's Ek Choti Si Asha (a tiny hope)—as its lunar rover was named—was all set to steal the thunder from ISRO's Vikram and Pragyan space crafts. That both ended with badly bruised egos in trying to become the fourth global entity to soft land on the moon is another story. But again a private entity that had an infatuation with ISRO literally retired hurt.

On the other hand, in satellite fabrication, there have been some inroads. Alpha Design Technologies of Bengaluru integrated two satellites for ISRO that have been successfully launched. The design, components and quality control was all with ISRO, only the integration—a precision operation—was done by Alpha engineers. Similarly, a few other private players are working on integration of satellites. Bharat Electronics Ltd and Tata Advanced Systems would also help integrate satellites. In all, 27 satellites are to be integrated with help from the private sector. Experts suggest Indian satellites have about 70% imported components, so an active approach of achieving self-reliance should be adopted.

Recently, DOS made an effort to launch a private sector integrated PSLV rocket for which a consortium of industries have been roped in. This is not the same as private sector owning the PSLV launch. There was also talk of forming a JV company for hiving off PSLV, but then the lack of a 'space law' is a big hurdle. Another proposal is the private sector manufactures PSLV and then sells it to ISRO, which then launches, and here the liability will remain with ISRO. Many different templates have been there, but nothing has reached the launch-pad.

Today, there is not even a 'space Bill', only a 'draft' was circulated in which the big red rag for the private industry was the fact that it stated that 'any form of intellectual property right developed, generated or created on board a space object in outer space shall be deemed to be the property of the central government.' Many small new-age space start-ups have been mastering satellite technology and some even attempted but failed to successfully orbit an Indian made satellite.

In space fairing who takes care of the risk in event of a disaster is a big challenge, and today since the sole owner of space technologies in India is DOS, all liabilities are channelled to the government of India. It's for this reason that ISRO does not take the very expensive insurance of its rockets. I recall the failure of a GSLV in 2006 when it veered off trajectory and was destroyed in mid-air over the Bay of Bengal soon after lift-off. The range safety officer who pulled the trigger on the ₹300 crore mission said 'I am not a destroyer but a saviour, I saved Chennai'! Who takes responsibility and who pays for ensuing liabilities are a big issue for private partners.

The other issue for rocketry is it has dual-use technologies and ISRO seeks to keep control of strategic know-how of the strategic technologies. Launch vehicles and missiles share a lot of technologies and India is jittery of letting the know-how pass on to private players.

The technocrats at DOS will have to adopt a whole new work culture if Sitharaman's pronouncement has to come into full force. ISRO will obviously make favourable noises. If the Indian space agency is serious about this new push for privatisation, then it should introduce the 'space law' in Parliament in the Monsoon session or at least before the new Parliament Complex is made. India is a hot spot for developing frugal space missions, but will ISRO embrace the private sector remains an open question. A *desi*-SpaceX or a *desi*-Boeing could be a reality if Sitharaman's wishes gallop on rocket engines rather than horses.

A tech boost for Indian farming

SANTOSH SARANGI

The author is an IAS officer. Views are personal

How to leverage emerging technologies

AS THE WORLD order gets realigned, it's an opportunity to revive different sectors using emerging technologies (ET), including artificial intelligence (AI), blockchain and the Internet of Things (IoT). Given the 'disruptive' nature of ETs, India must leverage these in agriculture, especially in light of PM Modi's call for doubling of farmers' income.

Farm sector growth has been stunted by low productivity, fragmented landholding, recurrence of over/under production reflecting a clear market asymmetry, lack of good agricultural practices and reforms in farm marketing. The problems are well known but have persisted, thus calling for tech intervention to break the status quo.

Tech majors like IBM, Microsoft and Cisco have initiated pilot projects across the agriculture value chain. Microsoft's project in Andhra Pradesh uses an AI sowing app to recommend farmers on sowing date, land preparation, soil test-based fertilisation, farm yard manure application, seed treatment, optimum sowing depth, etc. This has resulted in 30% increase in average crop yield per hectare. In collaboration with United Phosphorus, Microsoft is building a pest risk prediction app that leverages AI and machine learning.

Many agritech firms are using IBM Watson, IoT, Visual Recognition APIs in commercial drones for image analysis in real time. Remote sensing tech, along with hyper-spectral imaging and 3D laser scanning, is being utilised by start-ups to build crop metrics across thousands of acres.

In another initiative, the Kerala State IT Mission partnered with Cisco to develop the Agri-Digital Infrastructure Platform (uses IoT sensors, non-IoT databases, satellite/UAV images to gather and relay real-time intelligence on soil content, moisture, weather conditions and other parameters) and provide access to e-learning and advisory services to farming and fishing communities in Kannur district.

Many firms have started using ETs in a slow but steady manner in agriculture through three broad interventions:

First, ETs are being used in crop and soil monitoring. Sensors, e-nose, drones and other IoT devices are used to monitor soil, requirement of additional nutrients and disease profiling and recommendation on ameliorative measures.

Second, the use of machine learning and AI for predictive agricultural analytics, i.e. to predict on weather, sowing time, irrigation schedule, etc, is being done by agritech companies like CropIn, Intello Labs, Gramophone, Fasal and others.

Finally, ETs are becoming a pervasive feature in supply chain management. Agritech firms are using data analytics and blockchain to allow smart supply chain management for seed sourcing, warehouse management and market linkages by establishing credentials and authenticity. Initiatives like eNAM could leverage ETs to help remove information asymmetry and establish a wider market for farmers.

As we move forward, some measures that will be essential to scale up use of ETs in agriculture would be:

1. Create an authority that would establish the required framework for widespread use of ETs, create a digital stack for agriculture that allows effective use of ETs among different e-platforms providing services for agriculture; establish and manage a cloud-based data centre for agriculture; address various issues of data security and cybersecurity.

2. Modify curriculum in agri-universities to include components of ETs; focus on skill development of youth and agriculture extension officials to provide services using ET.

3. Improve institutional capacity by promoting innovation and R&D; create a National Agricultural Innovation Fund and possibly similar funds at the state level.

4. Encourage schematic support for ETs by revising guidelines of existing government schemes; overcome land fragmentation constraints by piloting ET-based initiatives with farmer producer organisations; initiate collaborative efforts between public and private sector, etc.

A planned government policy towards adoption of ETs in agriculture can balance the twin demand of ensuring food security (through higher productivity) and higher income for farmers (by cost reduction, qualitative market access). If the roadmap is charted properly, this could supplement efforts towards "doubling of farmers' income" considerably.

Go beyond 'heads I win, tails you lose'

Public project administration during corona-times

SANDEEP VERMA

The author, an LLM, specialised in Government Procurement Law from George Washington University Law School. Views are personal

TIMELINESS IN PAYMENTS to prime- and sub-contractors, promptness in refund of performance guarantees, and fairness in imposition of liquidated damages are recognised as intrinsic to efficient contract administration worldwide; these become critically important during financial stress, and especially during Covid-19—when execution of public projects is key to speedy economic recovery.

Towards public procurement reforms, the Centre issued path-breaking instructions, directing extension of public contracts without penalties/liquidated damages (continuing its *force majeure* strategy started in February), and instructions for refund of bank guarantees in proportion to public project implementation. These moves are unprecedented in scope/direction, and stand in sharp contrast to risk-averse approaches adopted historically. The ball is now in states' courts to reform own contract administration practices.

Uncertain budgetary provisions

Most states claim near-perfect systems for budgetary allocation to public works; but, as a matter of practice, participating in state government contracts can be risky for contractors for reasons like (1) budgetary estimates being based on unreliable feedback from the field and sought much in advance, while procedures for re-appropriation of funds to faster-moving projects can be rigid and slow-moving; (2) states' tendency to sanction more than what is financially sustainable, particularly before the onset of elections; (3) last-minute budgetary cuts to make space for a new high priority project/scheme; and (4) blocking of payments at treasuries can take place at the last minute to avoid an adverse ways-and-means advances position. Other inefficiency-inducing reasons are: (1) contractors may avoid submission of running bills on time, since they become liable to payment of substantial advance state taxes on date of bill-submission and not the later date of actual payment by the principal; (2) even where contractors submit running bills on time, field officers can block or avoid certification for months just to avoid taking responsibility for the work done under a predecessor's tenure; and (3) unlike most advanced jurisdictions, most states typically do not allow interest payments on inordinately delayed payments for work done and measured/certified.

Such unpredictability creates uncertainties for contractors over a single fiscal year, let alone over the 3-10-year contract duration of a typical infra project. So, contractors have little incentive to move as contracted and planned, limiting themselves only to progress commensurate with likely payment over a given fiscal.

Unreliable project databases

Most states do not have reliable databases on progression of projects, but only online databases on public expenditure. As a result, project implementation agencies can easily deflate or inflate status of progression of individual projects—to benefit friendly contractors and to penalise others. In the absence of a database where either the quantum or timeliness of running bills submitted can be monitored—and particularly in times of budgetary squeezes—this can hinder fair allocation and prioritisation of financial expenditure across hundreds of constituencies and projects vying for funding.

Non-recognition of subcontractors

Advanced public procurement jurisdictions globally allow formal recognition of subcontractors, based on their experience that timely payments by a prime to a sub ensures timely progression of large infrastructure contracts. In contrast, some Indian states tend to (mistakenly) equate subcontracting by a prime with 'under-the-table' deals: the result is that records of subcontracts remain either unavailable or unverified, making it impossible to monitor timely payments to subcontractors even when governments may be paying primes on time.

One-sided contracts...

Most states have formal instructions to ensure contractors aren't penalised by imposition of high liquidated damages (LD) where hindrances are caused by government inaction and are not attributable to a contractor. But, in practice, risk-avoidance attitudes of field-level officers lead to full imposition of LD in most cases merely to ensure that no complaints can be made against government officials for allegedly causing undue benefit to contractors. Of course, this needs to be appreciated against the backdrop that the cost of complaining against them for allegedly causing undue benefit to contractors in India is perhaps amongst the lowest anywhere—some argue it can be as low as the cost of finding some A4-size paper and putting one's pen to it.

To make matters worse, states can have patently unfair contract clauses such as those allowing return/refund of performance bank guarantees (PBGs) to contractors only when final bills have been paid, even when a contractor should be held responsible only for timely submission or bills and verification thereof by field officers. Thus, an inherently high risk of non-payment of certified bills gets compounded manifold with an added but unnecessary risk of non-refund of PBGs in time. A study of standardised procurement rules or contract causes in some states shows a high incidence of other issues as well—some do not allow for interim price escalation to be paid beyond the originally contracted period until a final determination of time extension has been approved, even if there are hindrances not attributable to a contractor.

Conclusion and recommendation

While these problems are well-understood amongst the government contracting community, there seems to be some inertia with regard to 'who will bell the cat' and 'why'. All of this becomes more interesting in face of the fact that most states have already laid down fair risk-allocation contract clauses and procurement rules in the case of externally-funded projects, i.e. standard templates are available within easy reach but the problems remain ignored.

As a reform and mutual accountability measure, much like Nudge theory, states can allow nominal interest against overdue payments to contractors: this alone could prod contractors to submit payment claims in time and also prod procurement officials who may not like to be held accountable in future audit for additional interest outgoes in case they unduly delay such payments. Decision-making authority can be delegated to ensure timely decisions on time-extension and contract deviations/variations of quantity, so as to begin holding contract-awarding officers responsible for project completion, rather than continuing with pyramidical decision-making structures requiring higher-level approval in the name of oversight—resulting in field officers being content with merely pushing such cases to higher-level authorities and not themselves finding possible solutions.

Once inefficiency-inducing clauses and procedures start getting weeded out from public contract drafting, it should be possible within our context—where government contractors are not seen as project 'partners' but 'unscrupulous businessmen' out to make a killing—that more open dialogue, trust-building amongst public officials and government contractors can begin, benefiting timely project execution. The government of India has already set the ball rolling on public procurement reform—and that too with a bang—and it is now up to state governments to implement similar project management reforms along the lines so clearly spelt out by the Centre.

International

TUESDAY, MAY 26, 2020

NO SETTLEMENT IN SIGHT

Benjamin Netanyahu, Israel prime minister

"We have a historic opportunity, which hasn't existed since 1948, to apply sovereignty judiciously as a diplomatic...step in Judea and Samaria. It is a big opportunity and we will not let it pass by."

NEW COLD WAR

US irks China with blacklisting move

Trump administration expands so-called entities list, which restricts access to American tech and other items, to include 24 Chinese companies and universities

BLOOMBERG
May 25

CHINA CONDEMNED THE US adding 33 Chinese entities to a trade blacklist, a move that risks potential retaliation from Beijing as tensions between the world's two-biggest economies deteriorate further.

The US Department of Commerce on Saturday expanded its so-called entities list, which restricts access to American technology and other items, to include 24 Chinese companies and universities it said had ties to the military and another 9 entities it accused of human rights violations in Xinjiang.

China's foreign ministry on Monday expressed "strong dissatisfaction" and "firm opposition" to the move as it defended the government's crackdown in Xinjiang, saying that "counter-terrorism measures" were taken "to prevent the breeding of terrorism and extremism at the source."

"We urge the United States to correct its mistakes, withdraw the relevant decisions, and stop interfering in China's internal affairs," foreign ministry spokesman Zhao Lijian told reporters. "China will continue to take all necessary measures to safeguard the legitimate rights and interests of Chinese enterprises and safeguard national sovereignty, security and development interests."

"China has no intention to change the US, nor to replace the US. It is also wishful thinking for US to change China... Some US political forces are taking hostage of China-US relations, attempting to push the ties to the brink of so-called 'new Cold War"

— WANG YI, CHINA FOREIGN MINISTER

The US-China relationship has worsened dramatically in the past few months, partly as America has became one of the countries worst hit by the coronavirus pandemic, which first broke out in the Chinese city of Wuhan.

The world's two biggest economies have clashed on a range of issues from trade to Taiwan.

Some of the organizations affected issued statements opposing the blacklistings, while analysts warned of a further decoupling between the U.S. and China.

"The move marks a US-China technology decoupling 2.0 or 2.5," said Zhou Xiaoming, a former Ministry of Commerce official and diplomat. "This won't be the last one, and there will be more coming."

Qihoo 360, an Internet security software supplier, said earlier in a statement that the US move politicised business. NetPosa, which produces video recorders, said the sanctions won't have a major impact on its daily operations, adding that it will continue to localise its supply chain.

China's Foreign Minister Wang Yi on Sunday warned US politicians were pushing relations to a "new Cold War," as American politicians condemned Beijing's move to impose a national security law on Hong Kong.

"Some US political forces are taking hostage of China-US relations, attempting to push the ties to the brink of so-called 'new Cold War,'" Wang said. "This is dangerous and will endanger global peace."

"China has no intention to change the US, nor to replace the US. It is also wishful thinking for the US to change China," Wang said Sunday during his annual news briefing on the sidelines of National People's Congress meetings in Beijing. He also criticised the US for slowing its nuclear negotiations with North Korea and warned it not to cross Beijing's "red line" on Taiwan.

TikTok's April in-app revenue skyrockets

BLOOMBERG
Hong Kong, May 25

BYTEDANCE'S MILLENNIAL SENSATION

TikTok and its Chinese twin app Douyin ranked top in the world among mobile apps for April revenue, according to Sensor Tower data that excludes games and advertising.

Focusing narrowly on in-app purchases, TikTok and Douyin's numbers for the month showed a tenfold increase to $78 million, propelling them ahead of more established names like YouTube, Tinder and Netflix, which rely more on existing subscriptions.

The Chinese market, served by Douyin, contributed 86.6% of the app income, followed by the US with 8.2%. In either version of the video-streaming app filled with dance videos and memes, users can purchase virtual currency to spend on supporting their favourite creators.

Like many social media platforms, ByteDance is testing the waters of online commerce, even while it continues to rely on advertising as its main source of income. *Emarketer* expects that more than 75 million US social-network users aged 14 and older will make at least one purchase from a social channel in 2020, up 17.3% from 2019.

TWIN SENSATION

- TikTok and Douyin's in-app purhases for the month showed a tenfold increase to **$78 million**
- Chinese market contributed **86.6%** to the income, followed by US with **8.2%**
- Users can buy virtual currency to spend on supporting their favourite creators in the apps

In 2020's first quarter, TikTok and Douyin generated 315 million downloads globally, up from 187 million a year earlier, said Sensor Tower, noting the positive influence of Covid-19 on the video-sharing apps' popularity.

Germany will take Lufthansa stake in Landmark $9.8-bn bailout package

BLOOMBERG
Frankfurt, May 25

GERMANY WILL OFFER Deutsche Lufthansa a 9 billion-euro ($9.8 billion) bailout that thrusts the state back into the heart of a company privatised with fanfare two decades ago.

The aid package involves taking an initial 20% stake that could rise to a blocking minority of 25% plus one share in the event of a hostile takeover, the carrier said in a statement on Monday.T he plan, which requires European Union approval and will almost certainly be challenged by rival airlines such as Ryanair, gives Germany an effective veto over company strategy.

German Finance Minister Olaf Scholz said the state's investment would be temporary, but he also stressed that the timing of an exit would depend on the pace of Lufthansa's economic recovery.

"When a state spends that much money, it has the obligation to make sure that this investment does not come at the taxpayers' expense," Scholz said.

Like airlines the world over, Lufthansa is fighting for survival as restrictions to contain the coronavirus puncture a decades-long aviation boom. The company plans to operate fewer aircraft when flights resume and is closing discount arm Germanwings to resize for what it warns could be years of depressed demand.

The package represents the biggest corporate rescue in Germany during the pandemic crisis. It's also the only one that involves a direct investment by Chancellor Angela Merkel's government, but more may be coming.

IN A NUTSHELL

- **20%** direct stake for about **300 million euros**
- Stake could rise to a blocking minority of **25% plus one share** in the event of a takeover
- Three-year syndicated loan for **3 billion euros** backed by from state development bank KfW
- **5.7 billion euros** in so-called silent participation

VW loses German case as diesel owners stand to receive damages

REUTERS
Karlsruhe, May 25

VOLKSWAGEN MUST PAY compensation to owners of vehicles with rigged diesel engines in Germany, a court ruled on Monday, dealing a fresh blow to the automaker almost five years after its emissions scandal erupted.

The ruling by Germany's highest court for civil disputes, which will allow owners to return vehicles for a partial refund of the purchase price, serves as a template for about 60,000 lawsuits that are still pending with lower German courts.

Volkswagen admitted in September 2015 to cheating emissions tests on diesel engines, a scandal which has already cost it more than 30 billion euros ($33 billion) in regulatory fines and vehicle refits, mostly in the US. US authorities banned the affected cars after the cheat software was discovered, triggering claims for compensation.

MAPPING THE VIRUS

Cases top
5.4 million

Deaths over
3,45,000

Recoveries
2.11 million

- Americans get some sun, virus toll nears 100,000
- GOP risk backlash in Trump's haste to reopen
- Covid-19 patients not infectious after 11 days
- Social unrest is lurking in Chile as virus spreads
- Economists see China holding stimulus in check
- China reports 11 Cases, all from abroad
- WHO worries about 'silent epidemic' in Africa
- Senate Democrats fault US testing plan
- Spain to end quarantine for foreign travellers

Chinese President Xi Jinping commended Hubei province for its sacrifices during the coronavirus outbreak at the country's top national political gathering

UK Prime Minister Boris Johnson is facing the most political pressure since he won a huge parliamentary majority last year, as lawmakers from all sides publicly attack his top aide even after Johnson put his own authority on the line to back him

US cases increased 1.3% from the same time Saturday to 1.63 million, according to data collected by Johns Hopkins University and Bloomberg. The rise was below the average daily increase of 1.4% over the past week

Iran has recorded 7,417 deaths and 135,701 confirmed cases, Kianush Jahanpur, spokesman for Iran's Health Ministry, said in an interview with state TV as the nation begins to reopen the economy

Italy's hard-hit northern Lombardy region, center of the country's outbreak, for the first time Sunday reported no fatalities, according to statistics from the regional government

Germany's coronavirus infection rate rose to 0.94, but stayed below the key threshold of 1.0. The so-called reproduction factor represents how many additional people become infected by a single positive case

Quick View

WHO halts trial on Trump-touted drug

THE WHO TEMPORARILY halted the hydroxychloroquine arm of its Covid-19 drug trials pending more data because of safety concerns. The WHO's steering committee decided to suspend enrollment to part of the so-called Solidarity trial after a study in the Lancet said the drug, touted by US President Donald Trump as a treatment, was linked to an increased risk of death and heart ailments.

Russia seeks 18 years for American charged as spy

RUSSIAN PROSECUTORS ASKED for an 18 year sentence for former US Marine Paul Whelan, who is on trial in Moscow accused of spying, *Interfax* news agency reported, citing his lawyer Vladimir Zherebenkov. Whelan denies the allegations and claims he was set up by a Federal Security Service major who owed him 100,000 rubles ($1,400).

China to take action if US undermines it in HK

CHINA WARNED ON Monday that it will take countermeasures if the US insists on undermining its interests regarding Hong Kong, following the latest comments from Washington about possible sanctions over new national security legislation for the city.

Tencent to be largest shareholder in Marvelous

Tencent is buying a 20% stake in Japan's Marvelous, giving the smaller company capital to develop its game franchises and bolstering the content Tencent itself can offer users. China's biggest game company, through affiliate Image Frame Investment, will spend about 7 billion yen ($65 million) to buy stock in the company, the Japanese games maker said.

Historic mission

SpaceX and Nasa completed a full rehearsal of launch day activities with astronauts Robert Behnken and Douglas Hurley ahead of a mission that will launch the first astronauts into space from US soil in nine years.

Oxford University's coronavirus vaccine trials run into a hurdle

BLOOMBERG
May 25

THE OXFORD UNIVERSITY team in charge of developing a coronavirus vaccine said a decline in the infection rate will make it increasingly difficult to prove whether it's been successful, the *Telegraph* reported.

"It's a race against the virus disappearing, and against time," Professor Adrian Hill, director of the university's Jenner Institute, told the newspaper. "We said earlier in the year that there was an 80% chance of developing an effective vaccine by September. But at the moment, there's a 50% chance that we get no result at all."

Hill said he expects fewer than 50 of the 10,000 people who have volunteered to test the vaccine trial in coming week to catch the virus. If fewer than 20 test positive, the results may be useless, the newspaper cited him as saying.

Although developers globally are working on as many as 100 experimental vaccines for Covid-19, the process is likely to take time. Finding a vaccine and distributing it globally will be a "massive moonshot," Dr. Michael Ryan, executive of director of the World Health Organization's Emergency Program, said earlier this month.

Chinese virus vaccine maker's bubble bursts

THE BUBBLE CONTINUED to burst in shares of CanSino Biologics, which fell a record 28% Monday even after positive early data on its Covid-19 vaccine candidate.

CanSino pared the drop to 18% at HK$181.60 as of 1:30 p.m. in Hong Kong. Shares have surged this year as investors bet big on the vaccine, with the gain reaching 385% on Thursday.

The stock plunged that afternoon, a drop the company said it couldn't explain. —BLOOMBERG

Aston Martin to tap AMG head as new CEO in management revamp

BLOOMBERG
Frankfurt/London, May 25

ASTON MARTIN IS poised to replace CEO Andy Palmer with the head of Daimler's Mercedes-AMG performance division, according to people familiar with the matter.

AMG head Tobias Moers could be named as Aston Martin's new CEO as soon as this week, the people said, asking not to be named because the matter is confidential.

In a statement, Aston Martin said it's reviewing its management team and any announcement will "be made as and when appropriate." *The Financial Times* reported earlier on the planned changes.

The shakeup comes less than two months after the British sports-car maker brought in new investors led by billionaire Lawrence Stroll, who became executive chairman. The 536 million-pound ($663 million) capital infusion was meant to rescue the debt-laden company, which has struggled since Palmer took it public in 2018 with a plan to mimic the success of Italy's Ferrari.

Instead, sales stalled, inventory piled up and Aston Martin found itself short of cash earlier this year even before the coronavirus threw the auto industry into a virtual standstill. The company has seen its shares fall more than 90% since the initial public offering.

Aston Martin CEO Andy Palmer (left) and AMG head Tobias Moers

Aston Martin said this month that it may need to raise more funds and take further steps to cut costs and control cash as the car-sales collapse upends its turnaround plan.

Palmer, who joined Aston Martin from Nissan in 2014, has been focused on the introduction of the pivotal DBX, a $189,000 sport-utility vehicle at the heart of Aston Martin's comeback strategy.

Abe to end Japan emergency and seeks to boost economy

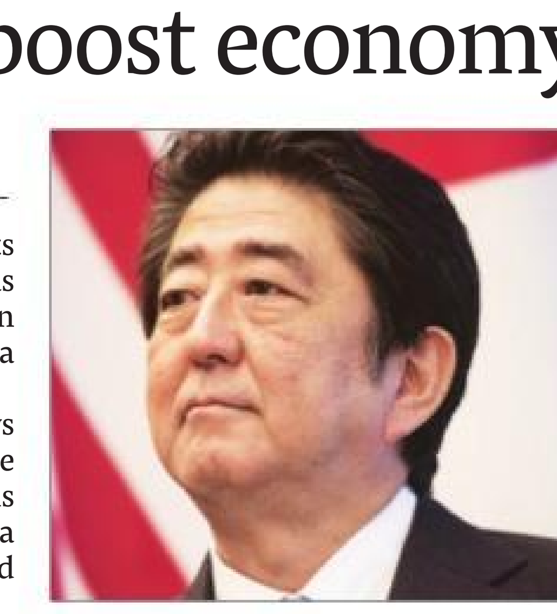
BLOOMBERG
Tokyo, May 25

THE JAPANESE GOVERNMENT ended its nationwide state of emergency Monday as cases tail off and announced a decision on funding for a new aid package to help a virus-battered economy.

Prime Minister Shinzo Abe told a news conference Monday that reviving the economy was now the top priority, and his government will decide on a second extra budget Wednesday to help people and businesses reeling from the pandemic.

"Every area of the country has met the conditions for ending the emergency, which are extremely strict by global standards," Abe said. "In Japan's own way, we have largely brought the infection under control in a month and a half."

Abe said the combined economic measures to be funded by the first and second extra budgets will total over 200 trillion yen ($1.86 trillion). The prime minister has already said the latest round of help will offer more support to companies through loans and rent subsidies, improved income support for furloughed workers and help for university students.



PM Shinzo Abe said combined economic measures to be funded by the first and second extra budgets will total over $1.86 trillion

Personal Finance

TUESDAY, MAY 26, 2020

ON STOCK MARKETS

Ajit Mishra, VP, Research, Religare Broking

"Markets are under tremendous pressure largely due to weak domestic sentiment. Majority of the sectors are feeling the brunt but banking and financials are the worst hit."

● STOCK MARKETS

Tips to control your fears in a volatile market

If you are still working and saving for the future, a downturn should not be a reason to panic. Rather, rebalance your portfolio, boost your savings and invest according to current market conditions

P SARAVANAN

INDIAN STOCK MARKETS are not responding positively and are volatile inspite of the recent stimulus package series announced by the finance minister. Many of you must be wondering what to do in such a scenario. There is a higher probability that due to the increase in risk investors end up taking wrong decisions based on emotions which then affect their long-term financial goals. Here are a few tips to deal with such emotions.

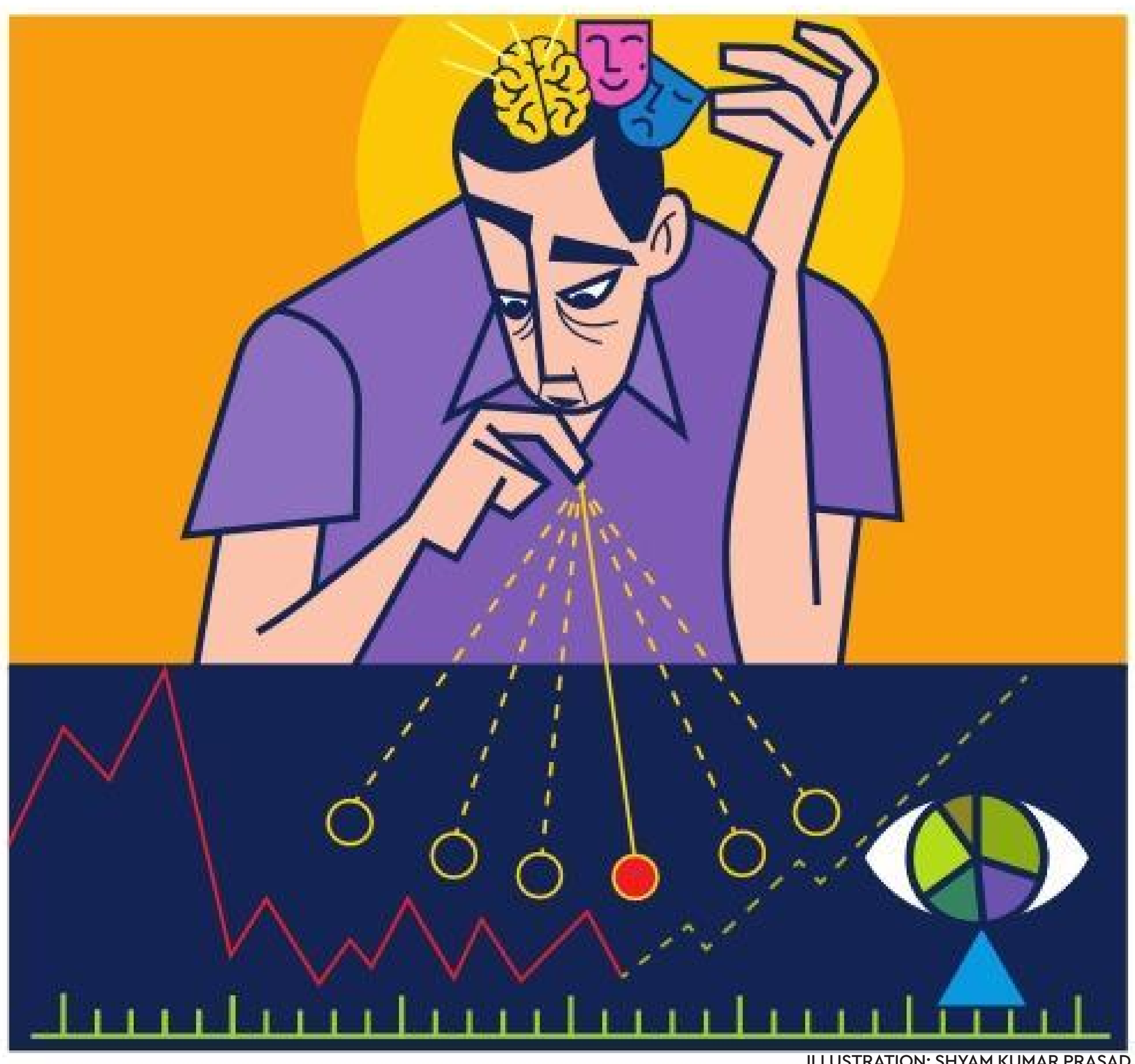


ILLUSTRATION: SHYAM KUMAR PRASAD

Belief in the markets

As you all know, the stock market is like a pendulum which swings to both extremes on which investors can have no control. But you do have control on your own emotions and actions. It is difficult to make rational decisions especially when markets are volatile. The investor needs to be rational and optimistic during volatile times as the initial dust thrown up by the turmoil will settle down at some point and the market will bounce back. We do have empirical and historical evidence for the same happening several times in the past.

Rebalance your portfolio

Behavioural finance literature states that generally investors have the tendency to look at what others are doing when they are not sure of what to do. This is known as herd behaviour. During volatile market times, you hear so many things in the social media, from friends and relatives like 'everyone is getting out of the market to protect their capital'. So should you also exit? Avoid exiting the market in a panic and booking a loss. Ideally, to tackle herd behaviour, investors should rebalance their portfolios, look for tax savings, and given a chance increase the savings percentage, etc.

WHAT YOU CAN DO

- Rebalance portfolios and look for tax savings
- Choose a mix of investments based on your timeline, goals, financial situation, risk appetite
- Consider additional payment on some loans

Consider additional payment on some loans

Another way to deal with uncertainty in the market is that if you have a housing loan or high interest-bearing credit cards, look at the refinancing options which will lower your monthly cash outflows. Generally, interest rates have moved sharply lower during such scenarios. Refinancing is a great opportunity to reduce expenses during the time of economic uncertainty. Seeing great demand for refinancing, some lending institutions may ask for rates higher than that of the market rate. In such a situation, one should shop around and make several enquiries in different places before signing up for refinancing facility. However, while availing such arrangement you need to ensure the stability of your income in the forthcoming near period.

Discipline is the key

Let us assume that your long-term financial goal is your post-retirement life which may be still decades ahead. In that case, you should take a long view of the market pullback. It means that instead of panicking and selling your investment when the market declines, choose a mix of investments based on your timeline, goals, financial situation, risk appetite and then stick to that long-term approach. Do not worry much about the temporary fluctuations.

To conclude, if you are still working and saving for the future, a downturn should not be a reason to panic. Instead, it provides you an opportunity to take a re-look at your investment portfolio, and rebalance your portfolio, to reduce your monthly expenses, to boost your savings, and invest according to the prevailing market conditions.

The writer is a professor of finance & accounting, IIM Tiruchirappalli

● YOUR MONEY

JIMMY PATEL

Why smart investors are buying gold in midst of Covid

GOLD COMMANDS A STORE of value, i.e., it is seen as a lender of last resort during economic uncertainties. Over the years it has continued to display its sheen and still remains the most lucrative asset to invest in.

Particularly now when there is no imminent end to the Covid-19 pandemic, the spotlight will continue to remain on the precious metal. Gold as an asset usually shares negative correlation with other assets (such as equity, debt and real estate), and tends to perform better during risk-off periods. It protects the investors' capital against tail risks and other events that have an adverse impact on capital or wealth.

Weakening global growth

The World Gold Council (WGC) expects that financial uncertainty, lower interest rates and weakening in global economic growth will impact gold prices this year. The WGC has also stated that the uncertainty brought about by coronavirus and its potential impact on public safety and economic growth could be added to the list.

The Covid-19 lockdown has, of course, clogged the activity in gold markets including India. In rupee terms, price per 10 gram of gold corrected by 3.2% in March,

ILLUSTRATION: SHYAM KUMAR PRASAD

Nonetheless it remained over ₹40,000 per 10 gram. During the January to March 2020 quarter, gold gained nearly 5%.

But going by the gold futures data—specifically the MCX Gold June Futures—reveals that gold is gaining some lost ground: price per 10 gram of gold is over ₹46,000. So, this shows that investors are rightly approaching gold as a safe haven.

In many parts of the world, gold ETFs have witnessed positive participation as central banks continued to lower interest rates and adopt an accommodative monetary policy stance to support growth. Global gold-backed ETFs and similar products added 298 tonnes, or net inflows of $23 billion, across all regions in the first quarter of 2020—the highest quarterly amount ever in absolute US dollar terms and the largest tonnage additions since 2016, as per the WGC.

Smart investors are buying gold

Smart investors are rightly buying gold, recognising it to be a hedge and/or a store of value during uncertainty. While demand for jewellery and physical gold has taken a hit, the focus is on the investment forms of gold. Even the central banks of the world, recognising the risk involved, are adding to their gold reserves. Gold, as you may know, plays an important role in central banks' reserve management.

Allocate 10-15% of the entire investment portfolio to gold and hold it with a long-term investment horizon. Invest in gold the smart way through gold Exchange Traded Funds or gold savings funds

Given the ongoing extreme turbulence in the equities, gold holds the potential to provide respectable returns. Last year, i.e., in 2019, the precious yellow metal posted returns of 25% when other asset classes witnessed high volatility and posted not so luring returns.

The road ahead for gold

Until the Covid-19 pandemic is contained and economic uncertainty prevails, the spotlight will continue to remain on gold. It makes good sense to buy gold strategically. The long-term secular uptrend exhibited by gold highlights the importance of owning gold in the portfolio with a longer investment horizon.

In the current situation, consider allocating 10-15% of the entire investment portfolio to gold and hold it with a long-term investment horizon. Invest in gold the smart way through gold Exchange Traded Funds (ETFs) or gold savings funds. Gold will continue to play its role as an effective portfolio diversifier and a store of value during economic uncertainty.

The writer is MD & CEO, Quantum Mutual Fund

● YOUR QUERIES

Chirag Nangia

Only employer can decide to cut TDS later in the year

● **In this pandemic, can I ask my employer not to cut any tax at source as I am not too sure of my salary flow?**

—Arvind Kumar

Every person making a specified type of payment (for instance, salary) is required to deduct at prescribed rates and deposit to the account of the government. However, TDS is merely pre-payment of taxes, and any excess tax paid may be claimed as refund in the income tax return. Therefore, if your estimated total income exceeds the minimum amount not chargeable to tax, then employer is expected to deduct TDS. Thus, the employer is not bound to consider any request for non-deduction of TDS (though at his own discretion, the employer may decide to deduct TDS only in the future months, since TDS on salary is deducted only on estimation basis). If at the end of the year, total tax liability is less than the total TDS deducted, them the excess can be claimed as refund in the ITR.

● **My father-in-law had an EPF account and he died recently. His nominee was my mother-in-law who died earlier. How will the EPF money be divided between one son and two married daughters?**

—Prasanna Narina

Since no nomination subsists in this case, the amount in the EPF shall be paid to family members in equal shares. Family, in the case of a male member means his wife, his children, whether married or unmarried, his dependent parents and his deceased son's widow and children. Sons who have attained maturity or married daughters shall not be entitled to any amount if other members of 'family' as defined here exist.

● **Is it mandatory to give address of property for which I have taken a loan and am availing tax benefit under Section 80C and Section 24?**

—Sushim Roy

While no documentary evidence is required for claiming investment-linked tax deductions, you have to furnish the address of the property for claiming deduction under Section 24. Particulars like address, ownership, share in property, type of property (whether self-occupied or let-out), etc., has to be furnished while declaring income under head 'house property', wherein you shall be entitled to claim deduction under Section 24 in respect of interest on borrowed capital. However, deduction under Section 80C will fall under chapter VI A deductions and the same can be claimed without declaring any particulars of the property.

The writer is director, Nangia Andersen Consulting. Send your queries to fepersonalfinance@expressindia.com

Investor

● HINDUSTAN ZINC RATING: BUY

A steady performance in the quarter

But for Covid-19 volume prospects for FY21 were bright; dividend outlook and execution of 1.2-mtpa project behind 'Buy' rating

HINDUSTAN ZINC (HZL) reported an in-line Ebitda of ₹19.6 bn (I-Sec: ₹20.6 bn). While integrated zinc and lead production came in at 221kte (down 3% y-o-y), Covid-19 (C19) closures from 22nd Mar'20 reduced the same by 27kte. Lead/silver production increased 20%/12% q-o-q and reflects resolution of the geo-technical factors that previously impacted SK Mines' production. Such a tailwind will aid volume recovery with further support from the commissioned Rampura Agucha shaft (to aid mining of 5mtpa).

Increased capacity of RD Mine shaft (phase-wise) as well as backfill projects of Zawar and the fumer projects on the verge of commissioning would have put FY21e in a much better stead but for the uncertain demand picture due to Covid-19. All these measures, along with lower coal prices, allow the management to be more constructive on CoP for FY21 (guided to be down 5-10% y-o-y). Continued dividend upstreaming is also a near certainty in HZL now. Maintain **Buy** with an unchanged TP of ₹195/share.

Cost is a key focus; our FY22e estimates should be comfortably achieved: HZL is targeting a reduction of 5-10% y-o-y in CoP vis-à-vis the $1,047/te registered in FY20 – with savings partly expected from shaft commissioning in Rampura Agucha and partly due to reduction in commodity prices. ~35% of the cost base is fixed and ~40-45% is USD-linked and primarily driven by coal.

Change in estimates

	New		Old		% Chg	
(₹ mn)	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenues	169,886	219,051	163,865	204,787	3.7	7.0
Ebitda	79,909	105,132	79,322	95,897	0.7	9.6
PAT	54,706	71,522	51,977	66,178	5.2	8.1

Source: Company data, I-Sec research

The manpower cost reduction in Q4FY20 was due to writeback of year-end 'performance-pay' provisions. We have assumed higher employee costs against the management-guided range of ₹1.9-2 bn of the quarterly run-rate. Also, despite assuming higher volumes in FY22e (metal production up 25% y/y), our CoP assumptions are largely constant y-o-y, and we would expect HZL to outperform the same.

Expansion to 1.2 mtpa of mined metal is complete; we expect 25% increase in integrated metal production in FY22e: Mined metal output expansion to 1.2 mnte is complete. Rampura Agucha UG shaft is commissioned and ore hauling has started. Backfilling in Zawar and the fumer projects is to start by end of May'20. There have been slight delays (few months) in commissioning of some of the works. Commissioning of these projects along with resolution of geo-technical issues in SK Mines, would have put FY21e in a much better stead (volume performance) for HZL but for the uncertain demand picture due to Covid-19. We expect FY22e to see a 25% increase in metal production.

Maintain BUY: While HZL has suspended guidance till Q1FY21, we have adequately discounted for the earnings weakness that FY21e can witness. Strong visibility on continued dividends, completion of the 1.2-mtpa expansion, and a relatively moderate zinc price assumption as Chinese demand recovers, drive our rating rationale.

ICICI SECURITIES

● COLGATE PALMOLIVE RATING: HOLD

Covid-19 cast shadow on volumes in Q4FY20

Market share gains, needed for a re-rating, may take time; 'Hold' maintained with target price of ₹1,340

THE 7.1% AND 15.3% y-o-y dip in Colgate Palmolive's (Colgate's) Q4FY20 net sales and Ebitda, respectively, belied our estimates, while the 1.5% y-o-y uptick in PAT surpassed it. Reported volumes, excluding downsizing of LUPs, dipped 8% y-o-y on a base of 5%, slightly worse than our 6% y-o-y dip estimate. Two positives this quarter include: (a) Nielsen data indicating stable q-o-q market share for Colgate; and (b) company's agile response in the current market context by launching Palmolive hand sanitisers.

Overall, although the new leadership looks promising, we will prefer to see market share gains before revisiting our recommendation. For now, we continue to prefer HUL, Nestle, Britannia and Dabur over Colgate. Maintain **Hold**.

Covid-19 casts a shadow on volumes

All the company's plants are now operational, which should aid volume growth going forward. Colgate Charcoal Clean is scaling up well in modern trade and e-commerce; this should strengthen the company's premiumisation agenda. We are also excited to see expansion of range of products under the Palmolive brand. On the margin front, gross margin compressed 9bps y/y; however, absence of operating leverage led to Ebitda margin dipping 237bps y/y despite some savings in other expenditure (down 53bps y/y).

Q4FY20 conference call: Key takeaways

CY19 toothpaste category value growth was 4% (volume – flat); Q1CY20 value growth was 2% (volume – negative 3%). In Naturals, Colgate saw 20-30bps market share gains in MT. Toothbrush is a work in progress and going ahead will focus on innovation to gain traction.

Financials (₹ million)

Year to March	Q4FY20	Q4FY19	% chg	Q3FY20	% chg	FY20	FY21E	FY22E
Revenues	10,713	11,538	(7.1)	11,472	(6.6)	45,251	46,949	49,830
Ebitda	2,629	3,104	(15.3)	3,161	(16.8)	12,017	12,889	13,976
Adj. Net Profit	2,042	2,012	1.5	1,991	2.5	8,165	8,348	9,111
Dil. EPS (₹)	7.5	7.4	1.5	7.3	2.5	30.0	30.7	33.5
Diluted P/E (x)						44.5	43.5	39.9
EV/Ebitda (x)						30.0	27.8	25.5
ROAE (%)						53.7	51.1	53.0

Source: Company data, Edelweiss research

Outlook: Gradual improvement

We expect Colgate's innovation funnel and brand investments to keep flowing, which should help arrest market share loss; market share gains, however, may take time. We maintain 'HOLD/SP' with TP of ₹1,340. The stock is trading at 39.9x FY22e EPS.

EDELWEISS

Markets

TUESDAY, MAY 26, 2020

COVID PROVISIONING

Amitabh Chaudhry, MD & CEO, Axis Bank

"On the retail side, we have stringent rule-based provisioning norms which are higher than regulatory provisioning norms. We recognise NPAs (non-performing assets) on a daily basis and fully provide for NPAs on 90 days on personal loans and credit cards."

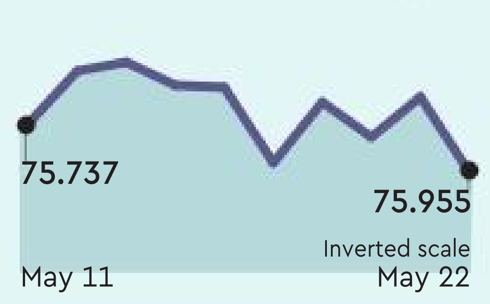
Money Matters

G-SEC

Benchmark yield remains unchanged as markets were shut 0.00%

₹/$

Rupee remains unchanged as markets were shut 00.0%



€/$

Euro rises against the American greenback 0.03%

Quick View

IDFC First Bank senior management takes 10% pay cut

PRIVATE SECTOR IDFC First Bank on Monday said its senior management has voluntarily taken a pay cut of 10% due to Covid, while the CEO offered to surrender as much as 30% of his salary in the current financial year 2020-21, IDFC First Bank said in a statement. The bank's MD & CEO V Vaidyanathan has voluntarily offered to take a pay cut of 30% in his compensation, including fixed compensation as well as all allowances. The Bank has honoured all offers that were made to new hires before the pandemic, including all lateral hires as well as 550 management trainees, the bank said. This is in keeping with the bank's philosophy of honouring its commitments in all circumstances, it said.

India sharply cuts exposure to US gilts to $156.5 billion

AFTER INCREASING THE holding of US government securities for two straight months, India sharply trimmed its exposure by a staggering $21.9 billion to $156.5 billion in March. The latest holding is also the lowest in 11 months. In April last year, the same stood at $155.3 billion, according to data from the US Treasury department. The Reserve Bank of India buys these bonds. Japan had the highest exposure to the US government securities with holdings to the tune of $1.271 trillion, followed by China with $1.081 trillion and the UK with $395.3 billion.

BAD LOANS SPIKE

HDFC profit dips 22% on provisioning pressure

FE BUREAU
Mumbai, May 25

HOUSING DEVELOPMENT FINANCE Corp (HDFC) on Monday reported a 22% year-on-year (y-o-y) drop in net profit to ₹2,232 crore, due to spike in bad loans and higher provisions. "On the balance sheet level, we are carrying provisions of ₹10,988 crore, which is much higher than the regulatory requirement of ₹4,188 crore," said Keki Mistry, vice chairman and chief executive officer (CEO), HDFC. The lender has made extra provisioning of ₹1,274 crore, which includes impact of Covid-19.

HDFC said that approximately 26% of its borrowers had opted for a moratorium. "Individual loans under moratorium account for 21% of the portfolio," the company further said. The Reserve Bank of India (RBI) on Friday had extended the moratorium for borrowers by three months till August 31, 2020.

The management acknowledged the impact of Covid-19 on its business. Mistry added that the year saw a very strong demand for housing in the first 11.5 months, but the slowdown in the second half of March due to Covid-19, which is otherwise very busy.

The mortgage lender saw a spike in bad loans during the March quarter. The gross non-performing assets (NPAs) rose 63 basis points (bps) sequentially and 81 bps y-o-y to 1.99%. Gross non-performing loans (NPLs) in value terms stood at ₹8,908 crore. While NPLs of the individual portfolio stood at 0.95%, for non-individual portfolio it stood at 4.71%. "As we see normalcy in the system, we expect NPAs to get back to level which we used to see," Mistry said on the rise in NPAs.

Total income in the March quarter was up 3.4% at ₹11,981 crore, compared to the same quarter last year. Net interest income (NII) in Q4 of 2020 rose 14% to ₹3,564 crore, compared to ₹3,139 crore a year ago.

The net interest margin (NIM) stood at 3.4%, showing an improvement of 10 bps compared to last quarter. The total loan book in the March quarter stood at ₹4.5 lakh crore, up 11% y-o-y. The total individual loan approvals was up 14% in volume terms and 12% in value terms in the March quarter, compared to same quarter last year. For the year ended March 31, 2020, the cost-to-income ratio stood at 9%, compared to 8.9% a year ago.

The HDFC board also approved a dividend of ₹21 per share. "The dividend income received during the quarter was ₹2 crore compared with ₹537 crore a year ago," the company said in a release. "While profit on sale of investment for the quarter stood at ₹2 crore compared with ₹321 crore in same quarter of the previous year," it added.

"HDFC's capital adequacy ratio (CAR) stood at 17.7% of which tier 1 capital was 16.6% and Tier II was 1.1%," Mistry said.

Report card

(₹ cr)	Q4 2019	Q4 2020	% Chg	Q3FY20	% Chg
Total income	11,586.0	11,981.0	3.4	20,291.0	-41.0
Net interest income	3,139.00	3,564.0	14.0	2,958.0	20.5
NIM (%)	3.30	3.4	10 bps	3.3	Unchanged
Provisions	5,880.00	10,988.0	86.9	9,934.0	10.6
Net profit	2,862.00	2,232.0	-22	8,372.0	
Gross NPA (%)	1.18	1.99	81 bps	1.36	63 bps

Source: BSE

Private banks set aside over 75% of operating profit as provisions in Q4

Banks (₹ crore)	Operating profit (Q4FY20)	Provisions (Q4FY20)	Provisions as a share of operating profit (%)
Yes Bank	106	4,872	4,596.23
Axis Bank	5,851	7,730	132.11
IDFC First Bank	787	679	86.28
IndusInd Bank	2,857	2,440	85.40
ICICI Bank	7,390	5,967	80.74
RBL Bank	765	614	80.26
Bandhan Bank	1,521	827	54.37
Kotak Mahindra Bank	2,725	1,047	38.42
HDFC Bank	12,959	3,784	29.20
DCB Bank	2,121	118	5.56
Total	37,082	28,078	75.72

Source: Banks

SHRITAMA BOSE
Mumbai, May 25

TOP 10 PRIVATE banks that have so far declared their results for the March quarter have set aside nearly 76% of their pre-provisioning operating profit as provisions during the quarter, showed data compiled by *FE*.

All of them provided aggressively in view of the Covid-19 outbreak and the repayment moratorium, which also requires pre-emptive provisioning. Some red-flagged risks that could arise out of the retail unsecured segment.

The lenders together logged an operating profit of ₹37,082 crore, of which ₹28,078 crore were set aside as provisions. Two of them — Yes Bank and Axis Bank — actually provided far more than their respective operating profits. With an operating profit of ₹106 crore, Yes Bank took a provisioning hit of ₹4,872 crore.

Prashant Kumar, managing director and chief executive officer, Yes Bank, told analysts that the bank had worked to achieve a 74% provision coverage ratio (PCR) by providing for both loans and investments.

"So basically, (an) attempt has been made to insulate the balance sheet from any past event, so 74% is more or less in alignment with the LGD (loss given default) and we believe going forward, we need to take clear or visiting requirement more or less only for the fresh slippage," Kumar said.

Axis Bank said it had taken a specific formula-based approach to provisioning on its exposures to weak standard assets in its BB-rated pool.

The private lender has also provided for security receipts and reduced the size of its bond book before participating in the targeted long-term repo operations (TLTROs).

Axis Bank has also turned more cautious on its unsecured retail book and provided accordingly.

Amitabh Chaudhry, managing director and chief executive officer, Axis Bank, told analysts, "On the retail side, we have stringent rule-based provisioning norms which are higher than regulatory provisioning norms. We recognise NPAs (non-performing assets) on a daily basis and fully provide for NPAs on 90 days on personal loans and credit cards."

The lender's provisioning for Covid-19 risks aggregated to ₹3,000 crore in Q4, and its total pool of provisions for various contingencies stood at ₹5,983 crore.

Analysts say banks are justifiably front-loading provisioning as the Covid outbreak will throw up fresh risks even as the asset quality landmines of the past have been adequately dealt with.

In a note dated May 21, India Ratings & Research said that Covid-19 may cause total slippages of up to ₹5.5 lakh crore. Much of this incremental slippages — about 40% — could emerge from the retail segment. "Ind-Ra believes the Covid-19 situation will significantly aggravate the stress in retail portfolio, specifically the unsecured portfolio; in the last five years, the delinquencies have increased by 50%," the note said.

The note added: "The impact could be higher especially for private sector banks whose unsecured retail portfolio accounts for 16.6% of the total bank credit as against 6.3% for public sector banks (PSBs)."

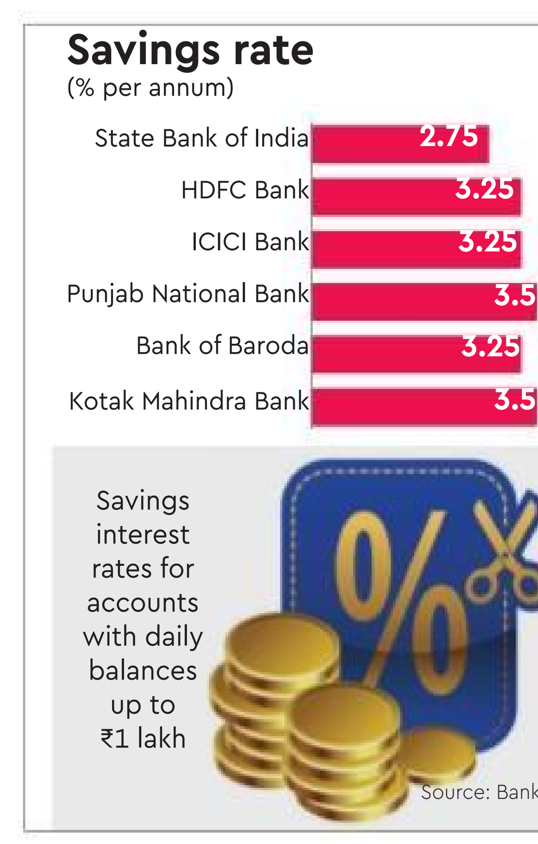
Kotak Mahindra Bank lowers savings rate to 3.5% for up to ₹1 lakh balance

FE BUREAU
Mumbai, May 25

KOTAK MAHINDRA BANK (KMB) on Monday lowered the interest rate on savings account (SA) deposits of up to ₹1 lakh by 25 basis points (bps) to 3.5%. This is the lender's second cut to the savings rate in as many months and brings its savings rate at par with that of the much larger Punjab National Bank (PNB).

The lowest savings rate in the banking system being currently offered is that of State Bank of India (SBI) at 2.75%. Deposits with HDFC Bank, ICICI Bank and Bank of Baroda (BoB) yield a little more at 3.25%.

Private banks have been particularly swift in lowering deposit rates. In a report dated May 13, Motilal Oswal Financial Services said, citing RBI data, that with sharp cuts in retail and bulk term deposit rates, the weighted average term deposit cost (WATDR) for private banks moderated by 15 bps between March and April, while for public sector banks (PSBs), it fell by 5 bps over the same period. "KMB has cut its SA rate by a massive 125-150 bps to 3.75-4.5%," the same report said, without specifying a time period.



The rate cuts follow two back-to-back reductions in the repo rate to the extent of 115 bps between March 27 and May 22. Of late, banks have been quick to reduce deposit rates following cuts in the repo as a portion of their loan books is now linked to the repo. Since all retail and small-enterprise loans made since October 1, 2019, are benchmarked to the repo rate, they immediately earn the benefit of a fall in the repo rate. Consequently, banks must balance their margins by lowering deposit rates.

Another reason for spiralling deposit rates is that banks would like to conserve cash at a time when their interest inflows are under pressure as a result of some accounts being under moratorium.

Bankers have made it clear that rates are bound to go further south. Rajnish Kumar, chairman, SBI, said that the bank would take a call on interest rates in June. "We will discuss these issues at our ALCO (asset liability committee), but obviously, the scenario right now is that interest rates are going down. They go down for borrowers, they go down for depositors," Kumar had said on Friday.

Corp governance: SBI weighed down by its own laws, says IiAS

AN INVESTOR ADVISORY has blasted the corporate governance practices at State Bank of India, saying the lender is weighed down by its own laws which mostly overrule all other regulations, making a mockery of the rights of public shareholders.

The immediate reaction from Institutional Investor Advisory Services (IiAS) is the invite that SBI has sent out to shareholders for an EGM on June 17 amid Covid, as the State Bank of India Act of 1955, which created it, does not envisage or allow it to hold the extra-ordinary general meeting digitally/electronically or even an e-voting. "SBI's ability to become a beacon of good corporate governance is being scuttled by the half-century old State Bank Act, 1955. It is compelled to hold a physical EGM on June 16 at a time when the Covid-19 pandemic is raging," IiAS says in a note, calling up on the board to advise government to amend the SBI Act.

Stating that SBI shareholders have lesser rights compared to shareholders of other companies, it notes "SBI continues to be governed in a quaint manner" by not making the changes that allow public shareholders to assert their rights, even though the SBI Act has been modified over the past half century, "but the investors have not been allowed inside the tent". — PTI

ANALYST CORNER

JSW Steel: Maintain 'buy' with target price of ₹199

MOTILAL OSWAL

JSW STEEL'S Q4 result reflects the benefit of higher domestic steel prices. Derived realisation improved by 7% q-o-q to ₹41,289/t, leading to a 45% q-o-q increase in Ebitda to ₹8,703/t. Rev/Ebitda/Adj PAT declined 20%/33%/32% y-o-y to ₹17,900 crore/₹3,000 crore/₹1,040 crore, respectively. We expect lower coking coal and domestic iron ore prices to cushion the fall in margins due to lower steel prices in FY21E and expect margins to decline 10% y-o-y in FY21E. Our FY21E/FY22E estimates remain broadly unchanged. Maintain 'buy'.

Consolidated Ebitda was down 33% y-o-y (+35% q-o-q) to ₹2,970 crore (our estimate ₹3,030 crore) on lower margins and consol. PBT (before exceptional item) was down 60% y-o-y to ₹950 crore (estimate ₹960 crore) due to lower margins. Standalone (S/A) volumes declined 14% y-o-y (-8% q-o-q) to 3.7 mt due to Covid-19. Crude steel production declined 5% y-o-y (-1% q-o-q) to 3.97 mt. The share of exports declined to 13% vs 24% in the previous quarter. Realisation improved 7% q-o-q (down 10% y-o-y) to ₹41,289/t (estimate ₹41,500/t) on strong domestic prices and lower exports. Ebitda/t improved 45% q-o-q (down 14% y-o-y) to ₹8,703/t, led by higher realisation. Ebitda of arms came in at a loss of ~₹240 crore (vs ₹220 crore in Q3FY20), due to lower profit in domestic subsidiaries. FY20 consolidated revenue/Ebitda/PAT declined 14%/41%/71% y-o-y to ₹72,600 crore/₹11,200 crore/₹2,200 crore, respectively, on lower margins. Reported net debt stood at ₹53,500 crore vs ₹46,000 crore at FY19 end; net debt to Ebitda was at 4.5x.

Management highlighted that the current capacity utilisation is 85% and it expects to exit Q1FY21 at normal levels. We expect JSTL to sail through these uncertain times due to Covid-19 given its ability to export higher volumes. We expect lower iron ore and coking coal prices in FY21 to partly offset decline in steel realisations. Although JSTL's net debt is expected to rise over FY20–22E, we expect net debt to peak in FY22 at ₹65,400 crore (₹60,000 crore in FY20), with net debt to Ebitda of 3.7x. We value JSTL at a 6.5x FY21E EV/Ebitda to arrive at a TP of ₹199/share.

Tata Power: Retain 'buy' with target price of ₹51

EDELWEISS SECURITIES

TATA POWER REPORTED Q4FY20 operational performance (Ebitda at ₹1,800 crore) in line, whereas 50% PAT outperformance is due to lower tax and a higher JV contribution. The Indonesian mining amendment greatly abates the profitability overhang. Management outlined 1.5x D/E and ₹25,000 crore in debt by end-FY21 (2.2x/₹44,000 crore currently), which is aggressive, but suggests FY21 would mark a turnaround. Deliverance remains key though. In our view, TPCL's recovery path may be jagged, but it's headed north (Changing perceptions: All's not lost). Maintain 'buy' with a TP of ₹51.

Revenue dropped 8% y-o-y hit by lower off-take in the distribution business amid the lockdown-led fall in demand. Consequently, receivables have been stretched in April 2020 due to moratorium and delayed payments, but those are subject to late payment charges. Operational performance at ₹1,800 crore (adjusted for regulatory movement) is in line with a jump of 25% y-o-y and was aided by lower international coal prices (down 35% y-o-y). Mundra P&L under-recoveries continue to be ~₹0.30paisa/unit (for HPC–₹0.45 paisa/unit). Overall, the integrated business operations reported a loss on account of lower coal prices. Despite 400MW of capacity addition, the renewable business Ebitda came in flat at ₹550 crore due to weak radiation and grid curtailment at the wind sites. On the Mundra resolution, management indicated that Gujarat and Maharashtra are moving ahead with supplementary PPAs for the compensatory tariffs, which would include penalties from Haryana/Rajasthan. Once formalised, the PPAs would be presented to the CERC.

Various restructuring exercises are underway to set the house in order. We perceive a couple of potential triggers, which could play out over the next one year. TPCL is trading at 0.5x FY20 BVPS and below its floor price.

INTERVIEW: PRAKARSH GAGDANI, chief executive officer, 5Paisa.com

'Profitability is in our sight, but it's not our focus'

As new customers queue up to dabble in the equity markets for the first time, ***Prakarsh Gagdani****, CEO, 5paisa.com, tells* ***Urvashi Valecha*** *that the online broking firm aims to be among the top 2 or 3 brokers in the country. Edited excerpts:*

You have added customers when the markets fell in March and in early April, can you elaborate on what their behaviour has been so far?

We started seeing the spike in our new account additions from February end because of the SBI Cards IPO but the market started selling down. Even then, more and more customers started coming to the market and this was a unique phenomenon. We saw that March was the highest in terms of acquisition and our growth in customer acquisition from February to March was almost 80% in a single month. A lot of new, first time millennial customers came to markets and opened their demat accounts as they wanted to seize the opportunity to trade or invest. The same trend continues for April and May. Most of our customers are investors and not traders.

Earlier, you had said that the customers have opened the accounts but are not investing. Is the trend still the same?

Currently, we are seeing a 100% jump in individuals who are trading immediately after the account opening. So, if there are 10 individuals who have opened an account and two individuals were trading in the first few days earlier, it has increased, and that has become 4 or 5 individuals. So, most of the individuals on our platform are now active and investing.

How many of these customers are first time investors?

Currently, 80% of the customers we acquire are coming to the capital market for the first time and they have never traded or invested in their life. So that's 80% of the incremental customer base, from that 70-80% of the customers are less than 35 years of age. A large section of that comes from tier III, tier IV and beyond kinds of towns.

Are the new customers are also investing in other asset classes, besides equities, using your platform?

There is hardly any alternative left. When it comes to rural areas and smaller towns, they have traditionally invested in real estate. Since the last five years, real estate has given a negative return and it does not look like it will improve further. Second is gold, in the last three years, the returns have not been great. It is only in the last 6 months that gold has gone up by 25% to 30%. Fixed deposit rates have gone down, now one gets the interest of 4.5% on them which is not enough. So, there are hardly any alternatives left. When the rural income is going up, investors want other avenues and that's why they choose equities. There is almost a 100% surge in people buying digital gold from our platform in the last one-and-a-half month. Mutual funds (MFs) systematic investment plan (SIP) has improved by 25% month-on-month. So, MFs, gold and equity are the three products on our platform that are seeing a good amount of investor interest.

What is your view on your March quarter performance? Do you see your company becoming profitable in the near future?

Our focus is to be in the top 2 or top 3 brokers of this country. We are in the digital space which requires us to have scale and be a market leader. There is no space for a fourth player, so our focus right now is only to acquire more and more customers. Though our focus is on growing our customer base, we are conscious of the cost and we are moving towards reducing losses. Profitability is on our sight but not our focus. We don't plan on focusing on our profitability till we reach the top 2 or top 3 brokers, it is difficult to say when that will happen but, I will not be surprised if it happens in the next 12 to 15 months.

What is your view on the market for FY21?

There will be some volatility, the market is not expected to go up but, I don't see the market going down from here on by 10% to 20%. It will be a range-bound market unless there is something very bad like large NPAs then it might be different otherwise I don't see markets tanking.

From the Front Page

MSME definition to be widened further: Gadkari

THERE WERE about 6.34 crore MSMEs in India, of which 6.3 crore are micro units, while 3.31 lakh were small businesses and 5,000 medium enterprises, according to the NSS survey during 2015-16.

The MSME status brings businesses certain assorted benefits — including the mandatory 25% official procurement and loans under the priority sector lending scheme — apart from periodic government and regulatory relief. For instance, subject to the conditions, they will be eligible for the recent package, including additional, collateral-free working capital loan (up to 20%) with a cap of ₹3 lakh crore (with official guarantee), subordinate debt of ₹20,000 crore and ₹50,000-crore fund of funds to bolster the equity base of MSMEs that have growth potential and need some handholding. Just the collateral-free loan move is expected to help 45 lakh units, the government has said.

Also, promoters of MSMEs who are not willful defaulters can bid for their stressed assets under the insolvency law, while those of large companies can't. There will also be a special insolvency framework for MSMEs.

Central public-sector enterprises procured products worth as much as ₹33,264 crore from 42,458 small and medium businesses in FY19. This was 30% of their procurement in FY19, according to the MSME ministry data.

Announcing the details of the ₹21-lakh-crore relief package, finance minister Nirmala Sitharaman had announced that the definition of MSMEs would be tweaked on the basis of both investment and turnover, and not just investment, as had been the practice.

According to the definition announced by her, a micro unit is one where the investment does not exceed ₹1 crore and annual turnover limit ₹5 crore, while a small enterprise is one where the investment is between ₹5 crore and ₹10 crore and a turnover limit of ₹50 crore. A medium enterprise is one that has an investment of between ₹10 crore and ₹20 crore and a turnover limit of ₹100 crore. Even this definition marked a substantial jump in the investments limit from the earlier definition.

Elevated investment limits will enable the MSMEs to scale up without bothering about the loss of assorted government benefits if they grew in size, in sync with the idea mooted in the Economic Survey for FY19 that had argued against incentivising "dwarfs". The Centre also proposed to end any distinction between manufacturing and services MSMEs.

According to the earlier definition, a micro unit is one where the investment does not exceed ₹25 lakh, while a small enterprise is one where the investment is between ₹25 lakh and ₹5 crore and a medium one has an investment of between ₹5 crore and ₹10 crore. In case of services, a micro enterprise must invest up to ₹10 lakh in equipment. A small enterprise will have to invest between ₹10 lakh and ₹2 crore, while those investing from ₹2 crore to ₹5 crore will qualify as medium services enterprise.

In its FY19 annual report, the MSME ministry said these businesses had created 11.10 crore jobs in FY16. They also made up for 29% of GDP.

Highlighting policy anomaly that helps create "dwarfs", the Economic Survey for FY19 had suggested that the government set a sunset clause of less than 10 years for all size-based incentives.

While dwarfs (firms with less than 100 workers despite being more than 10-years old) make up for over a half of all organised firms in manufacturing by number, their contribution to employment is just 14% and to productivity a mere 8%. In contrast, large firms, with over 100 employees, account for three-quarters of such employment and close to 90% of productivity despite accounting for about 15% by number.

Bharti Telecom to sell 2.75% stake in Airtel to raise $1 bn

ONCE THIS debt is cleaned up, sources said debt overhang at Bharti Airtel may also get eased as many constituents, including rating agencies, take full debt, including that of the promoter company into account. It will also create full capacity at Bharti Telecom for any further capital of shareholder support for Bharti Airtel, sources said.

While the debt at promoter level is not known, Bharti Airtel's net debt at the end of March 31, 2020, stands at ₹1,18,859 crore.

Over the last three years, Bharti Airtel had been aggressively raising funds through the rights issue, qualified institutional placements of equity, and issue of foreign currency convertible bonds (FCCBs), among others, for capital expansion.

Bharti Airtel was adversely hit by a Supreme Court ruling in October 2019, which ruled that it needed to pay its adjusted gross revenue (AGR) dues amounting to nearly ₹35,586 crore. The company has since then paid around ₹18,000 crore to the Department of Telecommunications.

Due to the AGR provisioning and also of a one-time spectrum charge, the case relating to which is currently pending before the Mumbai High Court, the company posted a consolidated net loss of ₹5,237 crore during the January-March quarter. However, its average revenue per user increased 14% sequentially to ₹154 on the back of up to 50% tariff hike in December 2019. The company beat analyst expectations on all other fronts and performed better than rival Reliance Jio.

SC asks AI to keep middle seats vacant post June 6

"IT IS common sense that maintaining social distancing is important. Outside, there should be a social distancing of at least six feet but what about inside aircraft," he added.

"There shouldn't be a difference (between international and domestic flights). It is common sense that maintaining social distancing is important. Shoulder to shoulder sitting is dangerous... How can you say it will not affect? Will the virus know it is in an aircraft and that it is not supposed to infect passengers?... The transmission will be there if you are sitting next to each other," the Bench told Solicitor General Tushar Mehta, who had argued that the best practice is testing and quarantine and "not seat difference".

The judges also gave liberty to the Directorate General of Civil Aviation (DGCA) to alter any norms during the pendency of the matter in the interest of public health and safety of the passengers rather than commercial considerations.

Without interfering with the Bombay High Court's interim order that asked the airline to keep the middle seats vacant in international flights, the top court asked the Bombay High Court to decide the petition by Air India pilot Deven Yogesh Kanani, who had alleged that the DGCA's circular of March 23 for keeping middle seats vacant was not being followed by Air India for its special flights meant to bring back Indians stranded abroad due to the pandemic.

Besides, the top court directed that Air India and other airlines will have to follow the interim order given by the HC with regard to safety measures. The HC will now consider the plea on June 2.

Both the Centre and Air India had moved against the SC against the HC order.

The Solicitor General told the apex court that the DGCA circular of March 23 applied only to scheduled domestic flights and not non-scheduled international. Air India also argued that the March 23 circular has been superseded by a new circular of May 22, 2020 that permitted domestic flights to operate from May 25 and there was no express mandate to keep the middle seats vacant.

He further contended that the decision to fill middle seats was taken after a meeting with experts.

Mehta apprised the Bench about the difficulties which passengers may face if the middle seat bookings are cancelled. He told the court that one-third of the passengers who are expected to be brought in by the non-scheduled flights would be left stranded in foreign airports if the HC order was not stayed.

The SG also contended that the HC order had "resulted in a lot of anxiety and difficulties arising from want of proper shelter, money, etc, at the foreign airports. Moreover, in some cases, the travel plan of families who were travelling together has been disrupted because those in the families who had middle seats have to be offloaded."

Day 1: Over 600 flights cancelled

IT WAS decided on Sunday that Kolkata and Bagdogra airports in cyclone-hit West Bengal will not operate any domestic flight between May 25 and 27 but will handle 20 flights each daily from May 28.

Moreover, Vijayawada and Vizag airports in Andhra Pradesh will handle just 20 % of their pre-lockdown flights from May 26.

Mumbai airport, which is India's second busiest airport, will handle only 50 flights daily from Monday, the Centre said, adding Chennai airport will see only 25 arrivals per day.

There were no limits set on departures from Chennai airport.

Moreover, Hyderabad in Telangana will handle just 30 flights every day from Monday, the government said.

IndiGo president and chief operating officer Wolfgang Prock-Schauer visited the Delhi airport to observe operations on Monday. He said the airline's operations were running smoothly and passengers were feeling relaxed as there was much less air traffic on Monday.

"We visited some of the boarding gates. Passengers are well informed (about rules and regulations). Despite the short lead time we got from the central authorities and the states, we were able to disseminate this information," he added.

An IndiGo spokesperson said 20,000 passengers will travel on Monday onboard the airline's flights.

SpiceJet said its first flight on Monday took off from Ahmedabad at 6.05 am and reached Delhi at 7.10 am. The budget carrier said it also operated 20 flights on Monday on routes awarded under the government's regional connectivity UDAN scheme.

SpiceJet chairman and managing director Ajay Singh said,"We are delighted to have resumed our flight operations in a completely sommth manner and by following every safety guideline and protocol laid down by the government."

Airlines were jittery in resuming services as multiple states have put in place separate norms and conditions for quarantining passengers arriving there by domestic flights.

With the aviation sector reeling under severe stress due to the coronavirus-triggered lockdown that began on March 25, the government had last week announced resumption of domestic flight services from May 25 under specific rules and guidelines.

It had set a cap on ticket pricing, made wearing of face masks by passengers mandatory, no food served onboard planes and making available details of medical conditions by travellers through the Aarogya Setu app or by filling up of a self-declaration form.

The app gives colour-coded designation to users according to their health status and travel history. It helps the users know if they were near anyone who tested Covid-19 positive.

Karnataka, Tamil Nadu, Kerala, Bihar, Punjab, Assam and Andhra Pradesh, among others, have announced their own quarantine measures for passengers arriving at their airports. Some states have decided to put passengers in institutional quarantine while several others have talked about putting them in home quarantine.

Civil aviation minister Hardeep Singh Puri on Saturday had questioned the need for quarantine if a passenger shows green status on the Aarogya Setu app. The green status signifies that a passenger is safe.

The Maharashtra government had requested the Centre on Sunday to keep air services in the state at a minimum possible level.

"It has been a long day of hard negotiations with various state govts to recommence civil aviation operations in the country," Puri tweeted on Sunday night, adding, "Except Andhra Pradesh which will start on 26/5 and West Bengal on 28/5, domestic flights will recommence across the country from tomorrow (Monday)."

Bihar data on migrants suggest large under-reporting by states

GUJARAT'S REPORTED infection was 9.7% and Tamil Nadu's was 4.5%, whereas 7% and 4% migrants from the states were positive. UP was no different, with only a slight variation of 0.6%.

Haryana, Chhattisgarh, Madhya Pradesh and Rajasthan, on the other hand, had widely varying data with the state-reported infection levels coming in much lower than the figures that we got by looking at infections from the migrants. Haryana had 9% migrants testing positive and Chhattisgarh had 6%, whereas infection levels reported by the states were only 1.2% and 0.6%, respectively.

Earlier, this week a blog on Centre for Policy Research had stated variance between ICMR data and MoHFW figures. While states certainly need to test more to get an actual picture, ICMR needs to put more data in the public domain for people to examine and study trends.

On Monday, India's daily infection levels had reached 7,000 despite the country being under lockdown since March 25.

Pune staring at shortage of ICU beds, ventilators

AS PER the PMC projections, the city would need 487 ICU beds but it would fall short by 216 ICU beds while only 107 ventilators will be available when 244 units would be needed.

A shortage of nurses is also expected with a large number of nurses working at hospitals in Pune returning home to Kerala.

Around 70% of the nursing staff in Pune's hospitals come from Kerala.

PMC has identified 65 containment zones and created capacity for institutional quarantine for 5,957 people and another 4,468 is expected to be added. Around 804 hotel rooms available for quarantine.

The PMC now has 48 hospitals to deal with Covid-19 patients and these hospitals are equipped with 3,539 beds without oxygen, 2,122 beds with oxygen, 271 ICU beds and 137 ventilators. Around 1,100 swabs are being collected everyday and it has a 9.01% of the cases turning positive.

Pune's civic body has also taken control of around 80% of the beds in private hospitals.

To deal with the high 5.5% death rate and reduce the number of patients turning critical, PMC is also trying out the Tocilizumab (IL6 inhibitor) drug and it will be tried out on 25 patients and depending on how it works the drug would be recommended for more patients.

China has not set a specific economic growth target for 2020 for good reason

Tourists admire the skyline view of Lujiazui area at the Bund in Shanghai, east China, Jan. 6, 2020. (Xinhua/Wang Xiang)

A train runs past the bridge over Yachi River during a trial operation of Chengdu-Guiyang railway in southwest China's Guizhou Province, Dec. 2, 2019. (Xinhua/Liu Xu)

CHINA decided not to set a specific annual economic growth target for 2020. It is a wise, farsighted and responsible decision to cope with complicated domestic and global situations.

The new narrative in the government work report submitted Friday to the country's national legislature reveals the leadership's down-to-earth principle of adapting to the uncertainties and immense difficulties caused by the coronavirus epidemic and the global economic recession.

The epidemic has taken a heavy toll on the Chinese economy in the first quarter, as the gross domestic product shrank 6.8% year on year.

Although the economy is sure to see a rebound with the government's supportive policies, China must take full account of the difficulties, risks and uncertainties and heighten the sense of urgency.

The targets set by the Chinese government this year are more flexible and feasible, featuring a concept of sustainable development model that never seeks short-term gains at the cost of long-term benefits.

The report highlights the importance attached to promoting employment, giving full play to market entities and improving people's livelihoods.

The employment must be stabilised with over 9 million jobs being created this year, as the report notes, highlighting the concept of putting people first.

The year 2020 marks a special year for China, as the country is in its final push to eliminate absolute poverty and build a moderately prosperous society in all respects. It means the government must provide adequate housing, medical and other public services to the people.

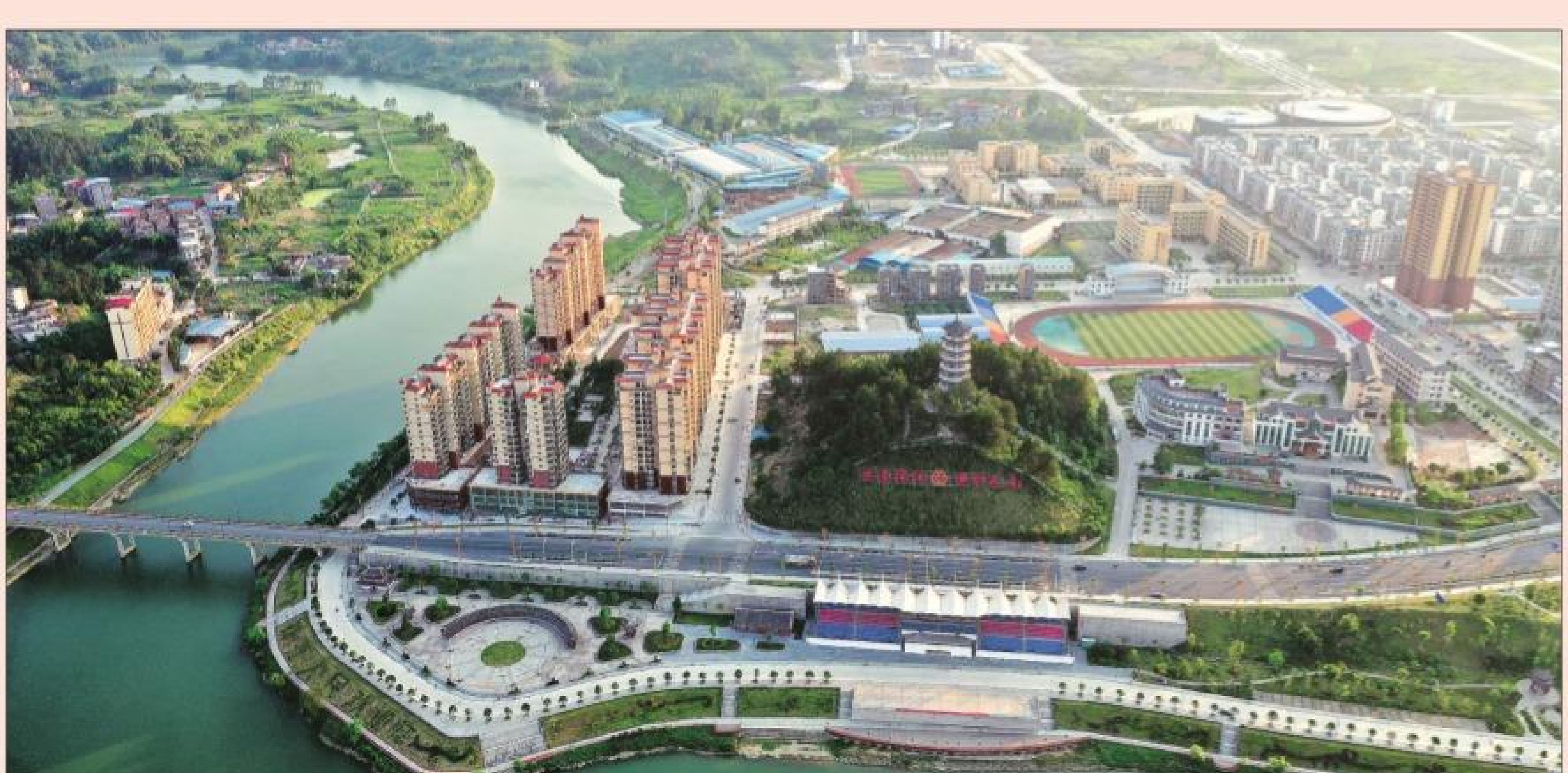
The fact that no specific target was set does not mean China has abandoned its resolve to achieve steady growth in the face of daunting difficulties. To achieve these goals, China must unswervingly stick to its policy of reform and opening up.

The new narrative demonstrates China's resolve to become more realistic, flexible and farsighted, with the vision of innovative, coordinated, green, and open development that is for everyone.

The Chinese economy still has bright prospects. Despite a foreseeable fall in its GDP growth rate, China is expected to see its economy expand this year, and a robust rebound in 2021, according to the International Monetary Fund's latest World Economic Outlook report.

No specific target is a good target.

China's "two sessions" to secure nation's "Xiaokang" victory



Aerial photo taken on May 14, 2020 shows a view of the county seat of Huanjiang Maonan Autonomous County in south China's Guangxi Zhuang Autonomous Region. (Xinhua/Lu Boan)

People work at a factory of Baoding Technology Co. Ltd. at Tangqi Town in Yuhang District of Hangzhou City, east China's Zhejiang Province, Feb. 16, 2020. (Xinhua/Xu Yu)

- **The third session of the 13th National Committee of the Chinese People's Political Consultative Conference, China's top political advisory body, opened on Thursday.**
- **This year's "two sessions" are expected to highlight the nation's final push in poverty alleviation and completing the building of a moderately prosperous society, or "Xiaokang," in all respects.**
- **National lawmakers and political advisors in China are also expected to discuss how to strive for improved performance in all areas of economic and social development as epidemic prevention and control becomes regular practice.**

China on Thursday raised the curtain for its annual political high season after an over-two-month postponement as the country has turned the tide on the COVID-19 epidemic.

The top political advisory body started its annual session Thursday afternoon in Beijing, kicking off the "two sessions," a major event in China's political calendar that also includes the annual gathering of the national legislature to open on Friday.

This year's sessions are expected to highlight China's final push in poverty alleviation and completing the building of a moderately prosperous society, or "Xiaokang," in all respects.

Xi Jinping and other Chinese leaders attended the opening meeting of the third session of the 13th National Committee of the Chinese People's Political Consultative Conference (CPPCC), held at the Great Hall of the People.

"The year 2020 marks the concluding phase for China's endeavour to build a moderately prosperous society in all respects and deliver on the 13th Five-Year Plan," Wang Yang, chairman of the 13th CPPCC National Committee, told more than 2,000 political advisors at the meeting.

A firefighter conducts disinfection at the Wuhan Tianhe International Airport in Wuhan, central China's Hubei Province, April 3, 2020. (Xinhua/Cheng Min)

The country's poverty alleviation tasks are near completion, as the number of impoverished people fell to 5.51 million at the end of 2019 from 98.99 million at the end of 2012.

Wang called on political advisors to fulfill their duties focusing on coordinating epidemic control and economic and social development to make contributions to winning the battle against poverty and completing the building of a moderately prosperous society in all respects.

Facing mounting uncertainties both at home and abroad, national legislators and political advisors are expected to offer insights on how to secure the goal-achieving victory and lay good foundations for future development.

Fairness and equality will be highlighted in this crucial year during discussions on "Xiaokang"-related topics such as housing, health and medical care, according to Xin Ming, a professor at the Party School of the Communist Party of China Central Committee.

This year's "two sessions" are expected to garner more attention from home and abroad as they shed light on how the country will march toward its centenary goal while navigating COVID-19 ravages.

China has, through arduous efforts, achieved decisive results in curbing the epidemic and public health will be high on the agenda during the sessions.

Lawmakers and political advisors are also expected to discuss how to strive for improved performance in all areas of economic and social development as epidemic prevention and control becomes regular practice.

"China demonstrated great vitality in its systems and I have great confidence in our nation's development despite uncertainties for the future," said Zhang Shuibo, a member of the CPPCC National Committee and head of the School of International Project Management at Tianjin University.

On Friday, Premier Li Keqiang is expected to deliver a government work report to the legislative session, which will be closely watched since it will offer a series of solutions and new policy indicators in terms of how the world's second-largest economy is handling the fallout of the COVID-19 epidemic and global economic recession.

Also on the agenda is the deliberation of a draft civil code. Once adopted, it will help boost the modernisation of China's system and capacity for governance, said Wang Yi, dean of the law school at Renmin University of China.