KOLKATA, WEDNESDAY, APRIL 29, 2020

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India must end its online education apartheid

EDITORIAL
Centre needs to allow states to resume liquor sales; without this, their revenues will dry up

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BOOSTING CAPITAL
IDFC First Bank weighs share sale worth $200 million

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CRISIS BREWING
Over 200,000 H-1B workers could lose legal status by June

KOLKATA, WEDNESDAY, APRIL 29, 2020

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SENSEX: 32,114.52 ▲ 371.44 NIFTY: 9,380.90 ▲ 98.60 NIKKEI 225: 19,771.19 ▼ 12.03 HANG SENG: 24,575.96 ▲ 295.82 ₹/$: 76.19 ▲ 0.05 ₹/€: 82.68 ↔ 0.00 BRENT: $19.67 ▼ $0.32 GOLD: ₹45,920 ▼ ₹271

ALTERNATE INVESTMENT FUND

Offtake by stressed realty projects low

Only a fifth of ₹5,000 crore earmarked disbursed so far due to Covid-19 curbs

6 Projects have got final approval for funding under the Alternate Investment Fund

31 Projects got initial nod for funding, **final approval awaited**

4.58 lakh Housing units facing delay in delivery across **1,509 projects**

₹10,530 cr First closure of the **Fund** complete **with 14 investors**, including SBI and LIC, a month after govt approval

RISHI RANJAN KALA & BANIKINKAR PATTANAYAK
New Delhi, April 28

THE GOVERNMENT'S PLAN to extend last-mile funding to complete stuck housing projects has been badly hit by the coronavirus pandemic, as offtake under an Alternate Investment Fund (AIF) has been only about a fifth of the ₹5,000 crore either approved or earmarked for about three dozen projects, sources told *FE*.

The fund was announced on November 6, 2019 and raised ₹10,530 crore from 14 investors, including LIC, HDFC and SBI, when it announced its first close in December. The plan was to have a ₹25,000-crore fund, with contribution of both the government and other investors.

Commenting on the funding, SBICAP Ventures, an arm of SBI Capital Markets that is entrusted by the government to manage the fund, said: "Disbursements are a function of the completion of conditions specified, as part of the approval and also depend on the pace of construction. Given the Covid-19 outbreak, there is no construction activity happening, despite the funding made available by us and that has slowed down disbursements." Even documentations and other aspects of due diligence have been hit by the crisis, senior industry executives said.

While it didn't specify the disbursement amount, it said the Fund has a two-stage approval process. Initial approval has been granted to 31 projects by the fund's investment committee, while six projects have received final approval for disbursement.

"Together they would amount to an aggregate investment of more than ₹5,000 crore and provide for the completion of about 40,000 home units," the SBICAPS spokesperson said. "As a policy to protect the interest of our investee companies, we do not disclose the individual names of the developers or the amounts disbursed," he added.

Additionally, the fund is in talks with relevant entities to facilitate the approval process for more than 100 deals that are being worked upon to complete the information required for their approval.

Continued on Page 4

1,594 CASES IN LAST 24 HOURS

'Only 80 of 21,632 active cases need ventilators'

No evidence to confirm use of plasma therapy as treatment: Centre

ABANTIKA GHOSH
New Delhi, April 28

WHILE THERE WERE 21,632 "active" novel coronavirus (Covid-19) cases across the country till Monday, only about 80 of them were on ventilators. Top government sources said this is in line with the daily pattern seen so far.

Meanwhile, even as some states have started plasma therapy, the Union health ministry on Tuesday said there is "no evidence to use it as treatment".

Continued on Page 4

COVID-19 UPDATE
30,411 TOTAL CASES
975 DEATHS SO FAR
1,594 NEW CASES

Police appeal to protesting migrant workers to maintain calm at a construction site in Surat

Death audit: Maha panel cautions against HCQ

A HIGH-POWERED committee set up to audit deaths in parts of Maharashtra barring Mumbai has cautioned the state health department against using hydroxychloroquine (HCQ) in combination with anti-viral and anti-retroviral drugs for Covid-19 patients due to the likelihood of cardiac toxicity, reports **Anuradha Mascarenhas** in **Pune**. State sources said the first lot of 31 deaths were analysed.

Detailed report on Page 4

'Quarantine at home for very mild cases'

COVID-19 PATIENTS, who have been medically assessed as "very mild case/pre-symptomatic case by the treating medical officer", can undergo home quarantine, according to guidelines notified by the health ministry, reports **Abantika Ghosh** in **New Delhi**. Meanwhile, one of the Centre's empowered groups has recommended that hotels should be used as quarantine facilities for asymptomatic or mild cases.

Detailed report on Page 4

Vaccine could potentially be available later this year

JAMES PATON
London, April 28

A VACCINE TO halt the coronavirus pandemic could be available as early as this year for vulnerable groups such as healthcare workers, even faster than initially thought, according to a key group at the heart of the global development effort.

The Coalition for Epidemic Preparedness Innovations, which is funding nine different corona vaccine projects, has previously suggested a shot could be ready within 12-18 months, an already ambitious target. That assessment didn't account for the possibility of firms working together to accelerate the process, faster enrolment in human trials and other factors, according to Richard Hatchett, the head of the Oslo-based body.

Continued on Page 4

India's action on test kits 'irresponsible'

CHINA HAS criticised India's decision to stop using Chinese testing kits because of quality issues as 'unfair and irresponsible' in the latest strain in their ties.

■ Page 4

Corona: 50% PV sales at risk, says Crisil

COVID-19 puts 50% of passenger vehicle sales at risk, Crisil said on Tuesday. Sales of discretionary automobiles are likely to be under pressure in the near term, it said.

■ Page 6

NITI staffer positive; building sealed

THE NITI Aayog building in the Capital has been sealed for 48 hours after a director-level officer tested positive for coronavirus, a senior official said on Tuesday.

Aarogya Setu app on feature phones soon

TELECOM minister RS Prasad said on Tuesday the Aarogya Setu app, which alerts people on a positive case nearby, will soon be made available on feature phones too.

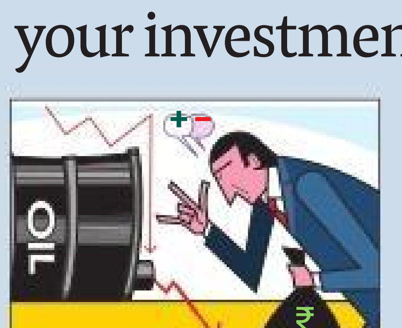
■ Page 4

ADB nod to $1.5-bn loan to India

THE ASIAN Development Bank (ADB) on Tuesday said it has approved $1.5 billion (about ₹11,400 crore) loan to India to help fund its fight against coronavirus pandemic.

Special Features

How low oil prices can impact your investments



Low oil prices will have a positive impact on glass manufacturing, transport, industrial power, plastics, lubricants, petrochemical, , FMCG, paint, rubber & tyre manufacturing companies

■ Personal Finance, P11

Fuerza: Look out for a new force in green mobility

A six-member student team from Thiagarajar Polytechnic College in Salem has designed a low-cost e-bike that can run 80 km on a full charge; recharge costs a mere ₹20

■ eFE, P11

₹1,388-CR Q4 LOSS

Axis Bank sets aside ₹3,000 cr for Covid-19 impact

ANKUR MISHRA
Mumbai, April 28

AXIS BANK ON Tuesday reported a loss of ₹1,388 crore for the March quarter as the lender provided an extra ₹3,000 crore due to the disruption from the pandemic. Total provisions for Q4FY20 jumped to ₹7,730 crore, up 122% sequentially.

In Q4FY19, the private sector lender had reported a profit of ₹1,505 crore.

Amitabh Chaudhry, MD & CEO, Axis Bank, said the lender would stay conservative, sacrificing growth if required. "As of now, things are looking quite dismal as we look out of our window... and when you look out of your window things are not great either," he said.

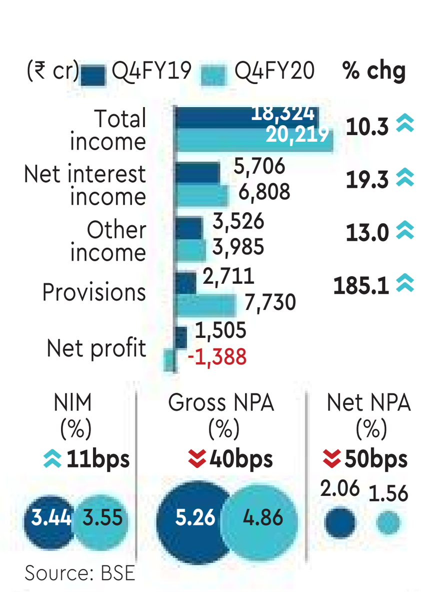
The CEO, nonetheless, asserted that Axis Bank's portfolio was performing fairly well in comparison with the portfolios of some other banks. "Based on RBI directions, we needed to make provisions of ₹560 crore but we have put aside ₹3,000 crore on account of Covid-19," he said, adding this assessment was based on the current situation.

Chaudhry further said the bank does not need to raise any fresh capital as of now but refrained from providing any guidance on loan growth.

The bank's advances grew 15% y-o-y to ₹5,71,424 crore as on March 31, with retail loans up 24% y-o-y to ₹3.05 lakh crore, accounting for 53% of the net advances. The net interest income (NII) grew 19% y-o-y to ₹6,808 crore while the non-interest income grew 13% y-o-y to ₹3,985 crore.

Asset quality improved and the bank recognised a smaller quantum of slippages of ₹3,920 crore, compared with ₹6,214 crore in Q3FY20.

Continued on Page 4



EXPRESS E-ADDA

India to suffer significant contraction, requires ₹10-trn stimulus: Former CEA

FE BUREAU
New Delhi, April 28

FORMER CHIEF ECONOMIC adviser (CEA) Arvind Subramanian on Tuesday said India should plan for "substantially negative economic growth" this financial year due to the coronavirus crisis and that the government should tap various sources to finance a ₹10-trillion stimulus.

Speaking at the Indian Express e-Adda from the US, Subramanian said distribution of food and cash are the two key tools India should be using to help people tide over the crisis.

Subramanian, who is currently senior fellow at the Peterson Institute for International Economics and a visiting lecturer in public policy at Harvard University's Kennedy School of Government, said at the video-conference that low food and fuel prices and the current reserve India has allowed policy makers to be bold in rolling out a stimulus package without fear of a spike in inflation.

He, however, added that since the crisis came on top of an already weakening economy for India, the country's challenge might still be a bit more difficult one than faced by many other nations. "I think the IMF forecast for India is absolutely mystifying and bizarre. India should plan for negative, maybe, substantially negative growth rate in this financial year," he said.

Continued on Page 4

Ex-CEA Arvind Subramanian at The Indian Express e-Adda on Tuesday RENUKA PURI

The Indian EXPRESS E-ADDA
Associate Partner UCO BANK

QuickPicks

Moody's slashes India growth forecast to 0.2% for 2020

MOODY'S INVESTORS Service on Tuesday slashed India's growth forecast to 0.2% for the 2020 calendar year from the earlier projection of 2.5% released in March, reports **PTI**. Stating that the economic costs of shutdown of the global economy are accumulating rapidly, Moody's in its Global Macro Outlook 2020-21 (April 2020 Update) projected that all G20 advanced economies would contract by 5.8% in 2020.

Top 50 wilful defaulters caused write-offs worth ₹68k cr: RBI

THE LOANS outstanding written off — in technical or prudential terms — on account of exposures to the top 50 wilful defaulters as on September 30, 2019, was ₹68,607 crore, the Reserve Bank of India (RBI) has said in a right-to-information (RTI) response, reports **Shritama Bose** in **Mumbai**. Gitanjali Gems, REI Agro and Winsome Diamonds and Jewellery were the three top wilful defaulters to Indian banks. **PAGE 12**

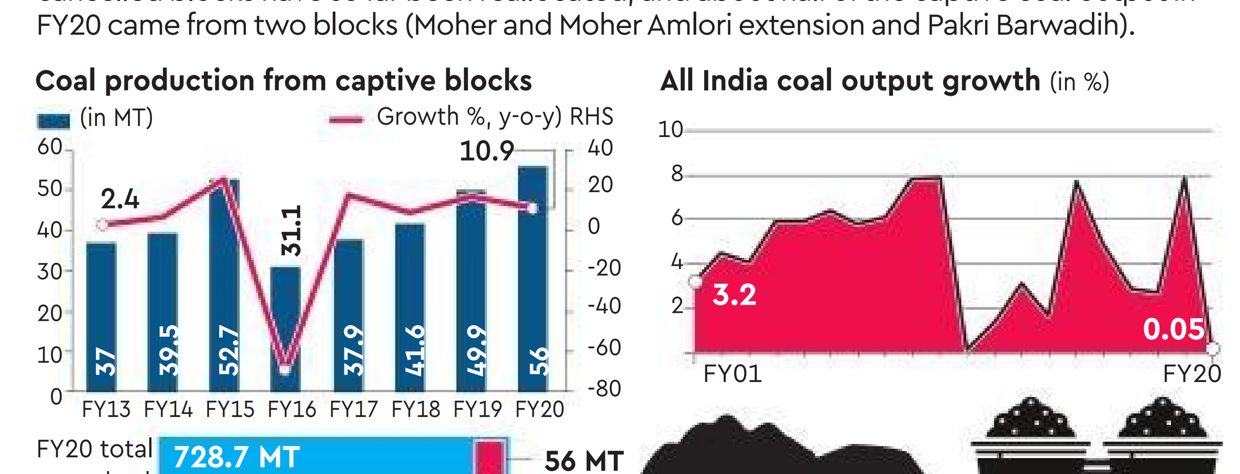
Graft-convicted IAS, IPS officers' suspension may not be reviewed

IN A major move, the Centre has proposed to change rules to allow no review of suspension orders of IAS, IPS and IFS officers if they are convicted in a corruption and criminal case by courts, reports **PTI**. DoPT has decided to amend the All India Services (discipline and appeal) Rules, 1969, applicable to IAS, IPS and IFS officers, in this regard.

Fuelling growth FE BUREAU

Captive coal output breaches pre-SC order level

Six years after the Supreme Court cancelled 204 captive coal blocks, captive coal production breached the pre-cancellation level of 52.7 million tonne in FY20. However, only 84 of the cancelled blocks have so far been reallocated, and about half of the captive coal output in FY20 came from two blocks (Moher and Moher Amlori extension and Pakri Barwadih).



MICROBE-KILLERS

India's only UV lamp makers flooded with orders

GEETA NAIR
Pune, April 28

LOCATED IN THE Chakan industrial zone in hotspot Pune, Arklite Speciality Lamps and Aeropure UV Systems have been working overtime these past few weeks. They are India's only manufacturers of ultraviolet (UV) lamps that can destroy any kind of microbes in the air. UV lamps are germicidal and can disinfect water, air and surfaces.

Flooded with calls from hospitals, government organisations, start-ups and technology companies, for lamps ranging from 6 watts to 6,500 watts, they are now running two shifts.

Chairman Avinash Kulkarni points out the lamps are the most important part of the products and systems being developed to disinfect masks, sanitising food and food packaging.

Continued on Page 4

KERALA MODEL

Weekend mobile, TV shops thrive but supply a constraint

RISHI RANJAN KALA & RAJESH RAVI
New Delhi/Kochi, April 28

ON APRIL 12, Kerala happened to be the first state to allow shops repairing and selling mobile phones, computers, electronic accessories and other consumer durable items, to open every Sunday between 10 am to 5 pm by maintaining all standard operating procedures like social distancing etc. The move has been hailed by consumers, industry bodies, and retailers but the road ahead is not free of pitfalls.

Though consumers thronged these shops to get their mobile phones and TVs and other such gadgets repaired or buy new ones, shop owners complain that they have to make do with whatever stock they have as supplies are either stuck or not coming and unless this bottleneck is not resolved, they are not sure for how long they can carry on.

ILLUSTRATION: ROHNIT PHORE

"The initial response was good with many people buying new phones and some getting their phones repaired. People are concerned about the lockdown and want to stay connected through phones. The response is good in the rural areas," said Hamid, managing director of Fone 4 Communications India, which has 32 outlets in Kerala.

Continued on Page 4

Economy

WEDNESDAY, APRIL 29, 2020

EXPERT VIEW

Further deterioration in the fiscal outlook as a result of lower growth or fiscal easing could pressure the sovereign rating in light of the limited fiscal headroom India had when it entered this crisis

— Fitch

Quick View

8.2L withdrew PF during lockdown

AROUND 8.2 LAKH members of retirement fund body EPFO and private PF trusts have dipped into their savings and withdrawn ₹3,243.17 crore to sustain in the lockdown imposed by the government to contain Covid-19. The EPFO had allowed formal sector workers under its ambit to withdraw a non-refundable advance from their retirement savings to deal with hardships due to lockdown.

Fertilisers sale up 32% till April 22

FERTILISERS SALE DURING this month till April 22 rose 32% to record 10.63 lakh tonne despite nationwide lockdown to control coronavirus pandemic, the government on Tuesday said.

NEW GUIDELINES

'Home quarantine for very mild cases'

ABANTIKA GHOSH
New Delhi, April 28

One of the Centre's empowered groups has also recommended that hotels should be used as quarantine facilities for asymptomatic or mild cases

COVID-19 PATIENTS, WHO have been medically assessed as 'very mild case/pre-symptomatic case by the treating medical officer', can undergo home quarantine, according to guidelines notified by the health ministry.

Meanwhile, one of the Centre's empowered groups has recommended that hotels should be used as quarantine facilities for asymptomatic or mild cases. The proposal is aimed at addressing complaints about quarantine facilities and kickstarting the hospitality sector.

In its new guidelines for mild and pre-symptomatic cases, the health ministry said: "Such cases should have the requisite facility at their residence for self-isolation and also for quarantining the family contacts. A care giver should be available to provide care on 24 x 7 basis. A communication link between the caregiver and hospital is a prerequisite for the entire duration of home isolation. The care giver and all close contacts of such cases should take hydroxychloroquine prophylaxis as per protocol and as prescribed by the treating medical officer."

The guidelines also state that the caregiver has to mandatorily download the Arogya Setu app. "The person also has to give a written undertaking and seek medical attention when s/he faces difficulty in breathing, persistent pain/pressure in the chest, mental confusion or inability to arouse, developing bluish discolorations of lips/face, etc," it states.

In the hotel proposal, which was submitted to the health ministry on April 15, the empowered group on hospitals, isolation beds, quarantine facilities, etc., has urged the health ministry to lay down SOPs and start the process of certification of hotels that can be used as Covid facilities.

The idea, officials say, is that patients pay for the rooms and other expenses, such as food, while hotels follow laid-down SOPs, including having a doctor on call and nurses in charge of rooms. The proposal was sent to the health ministry on April 15.

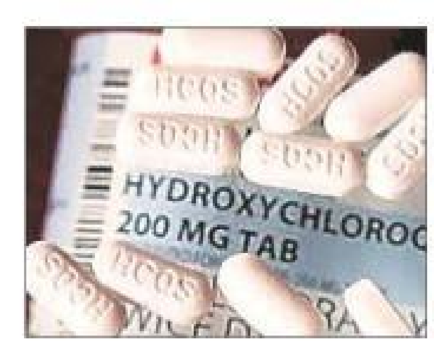
"There have been multiple complaints about the quality of quarantine facilities, especially toilets... For the hotels, it makes sense to abide by the SOPs and conditions for certification because they will get business. These quarantine facilities can have single-occupancy rooms with attached toilets. They will supplement government facilities," said an official.

Death audit: Maha panel cautions against HCQ

ANURADHA MASCARENHAS
Pune, April 28

A HIGH-POWERED COMMITTEE set up to audit deaths in parts of Maharashtra barring Mumbai has cautioned the state health department against using hydroxychloroquine (HCQ) in combination with anti-viral and anti-retroviral drugs for Covid-19 patients due to the likelihood of cardiac toxicity, *The Indian Express* has learnt.

Sources in the state health department said that the first lot of 31 Covid-19 deaths mainly from Pune, Yavatmal, Ratnagiri and a few other districts were analysed. In at least three to four cases they found



that a combination of HCQ with other drugs may have led to 'QT interval' being prolonged in the electrocardiogram - means the heart muscle takes longer than normal to recharge between beats — and hence leading to cardiac toxicity.

While Dr Archana Patil, the chairperson of the state committee to audit deaths for rest of Maharashtra, was unavailable for comment, officials in the health department said that one of the recommendations made post analysis was the need to tread carefully while using hydroxychloroquine in combination with other drugs.

The committee told the department that QT interval should be closely monitored, and if the interval gets prolonged, there will be a need to withhold hydroxychloroquine due to the likelihood of cardiac toxicity.

At present, the national task force for Covid-19 constituted by the Indian Council of Medical Research (ICMR) has recommended hydroxycloroquine as a preventive medication for high-risk population, which includes asymptomatic healthcare workers involved in the care of suspected or confirmed cases of Covid-19 and asymptomatic household contacts of laboratory-confirmed cases.

Initially the ICMR guidelines had also allowed the use of anti-HIV drugs — lopanivir and Ritonavir— in severe cases, which were subsequently modified.

A recent paper published in Nature Medicine examined cardiac abnormalities in Covid-19 patients treated with drugs hydroxychloroquine and azithromycin.

Aarogya Setu soon for feature phones

FE BUREAU
New Delhi, April 28

TELECOM AND IT minister Ravi Shankar Prasad said on Tuesday that the Aarogya Setu app, which alerts people if any known person in their vicinity has tested positive, will soon be made available on feature phones as well. Currently, the app can be downloaded only on smartphones as feature phones don't have any downloading facility. Hence, Prasad said that his department, the government of Tamil Nadu and IIT-Madras are jointly working on making the app accessible on feature phones through an interactive voice response system (IVRS).

Further, the app will also have added features like the e-pass for movement during the restrictions imposed by the government to fight the pandemic.

Since there are around 500 million feature phone users in the country, such a facility will help the people at the bottom of the pyramid in remaining informed and alert.

Prasad, who on Tuesday interacted with state IT ministers through video-conferencing to discuss Covid-19 challenges, tech innovations and road map for the IT and electronics sector, said."Every state highly appreciated the Aarogya Setu app and shared their thoughts on it. I have assured them that a similar solution for feature phones is being developed and will be launched very soon."

According to the IT ministry, the Aarogya Setu app has thus far seen 75 million downloads.

From the Front Page

Alternate Investment Fund: Offtake by stressed realty projects low

"THESE DEVELOPERS ARE also facing issues presently in terms of providing the requisite information, while the fund is facing challenges in terms of physical verification and documentation thereby slowing down the process during the Covid lockdown," it said.

The government had pledged a total of ₹10,000 crore for this purpose, as it wanted to kick-start the investment cycle in residential projects and deliver houses to people who have been humbled by the double whammy of undelivered homes and regular repayment of home loans. It was also supposed to boost private consumption once houses are delivered.

According to a recent industry estimate, as many as 4.58 lakh housing units were facing delayed delivery across 1,509 stalled projects.

Announcing its support to stuck housing projects in September last year, the finance ministry had said the new fund would have an NIIF-like structure where the government would contribute half of the corpus and other investors, including foreign ones and domestic financial institutions, will do the rest. It will be run by professionals, who will offer funds to the stuck projects that have not been declared non-performing assets or dragged to the NCLT. It will help complete only affordable and middle-income housing projects.

Kerala model: Weekend mobile, TV shops thrive but supply a constraint

"BUT WE ARE CONCERNED with the stocks and don't think that we can function without inter-state transport allowed for such products. We don't have mobile manufacturers in the state and depend on other states," he added.

The other problem is that some of the areas which were in green zones, where shops were allowed to be opened, have turned into red in the last few days. The apprehension is that if green zones start turning into red with new cases detected, businesses can't settle and operate smoothly.

"It is a problem that the hot spots are increasing by the day with more cases being reported in zones that were initially in the safe zone," Jerry Mathew, managing director, Lan Mark Shops India, said. He has 170 franchisee shops in Kerala under the brand name of 'White Mart' that sells white goods like air conditioners and televisions.

The concern is genuine as new hotspots are emerging in districts like Idukki and Kottayam that were earlier in the green zone and considered safe.

Still, retailers say that demand has been good. "The showrooms are functioning with the bare minimum or 30% staff depending on the size. But the business is doing good in the air conditioner and television category even without any finance options. The television category is showing good sales though it was not growing before the outbreak of the virus. Very high temperature and humid conditions have helped in the sales of air conditioners with more people sitting at home," Mathew of Lan Mark Shops said.

However, his concern also relates to supplies in the absence of which he's not sure how long he can continue the operations. "We have good stocks because we have our own warehouses and distribution network but supply could be a concern in the coming days," Mathew added.

Still industry bodies like MAIT, CEAMA and ICEA are urging the government to allow such shops to open and function elsewhere in the country considering the products and services they deal in have become even more crucial when work from home (WFH) has become a norm. ICEA has projected that around 2.5 crore individuals are suffering from non-availability or repair of mobile phones, laptops, tablets, etc.

MAIT CEO George Paul told *FE* that on Wednesday industry will have a call with IT minister Ravi Shankar Prasad and it will urge him to consider this demand.

India's only UV lamp makers flooded with orders

"WE WILL OFFER them the lamp and the entire systems with holders and ballast which will make it a plug and play module," explained Kulkarni.

So far, 75% of the products were being exported to the US and Europe in the absence of domestic demand, but the Covid-19 pandemic has changed all that.

The UV lamps available in the market use soft glass and most of them come from China. "We chose to make quartz glass-based UV lamps which make them more expensive but offers superior performance and allows for a huge jump in wattage," he said.

The Kulkarnis have invested heavily in R&D and their business is now worth around ₹175 crore. Leading brands such as Voltas and Philips source their UV lamp requirements from them. Right now, 500 lamps a day are being made at the Chakan plant but there is room for expansion.

Among the first calls came from Pune's Naidu Hospital for Infectious Diseases which is where all Covid-19 positive patients in Pune district are being treated, and his company installed the UV lamps here to disinfect the hospital air.

The UV light can destroy the RNA and DNA of the microbes, explained Kulkarni. Hospitals were not keen earlier and considered using UV lamps in the HVAC systems only because there was a 10-15% savings in the electricity bill and not because it improved air quality and killed microbes, Kulkarni said. It was only much later that they found a keen buyer in Delhi Metro which used their products to keep the underground Metro network air clean. This was followed by the Chennai Metro and Jaipur Metro picking up his product. Delhi's T3 Terminal also has their installations.

'Only 80 of 21,632 active corona cases need ventilators'

IT WARNED AGAINST adopting this line of treatment without following proper protocol and getting relevant approval. With 1,594 fresh cases and 51 deaths being reported in the last 24 hours, the tally has now gone up to 29,974 cases (7,026 recovered) and 937 deaths. A total of 7,16,733 samples have been tested so far. According to health ministry data, of the "active cases" till Sunday, 2.17% were admitted in the Intensive Care Unit (ICU), 1.29% required oxygen support, and 0.36% were on ventilators. The recovery rate is currently 23.3%.

"Our experience so far has been that every day, between 10-15 people need ventilators. Right now, there are about 80 people across the country who are on ventilators. It is difficult to say whether this is because India's strain is different from the European strain, but this has been our experience so far," said a source.

An estimated 15,000 ventilators are currently available for Covid-19 care across the country, of which about half are in the private sector. The shortage of ventilators and doctors trained to use them has been one of the pressing concerns in the fight against Covid-19.

At the daily briefing, health ministry joint secretary Lav Agarwal said: "Among the therapies that are being experimented with is plasma therapy. There is no evidence to use it as treatment. ICMR has also launched a trial to study this, but till the study comes to a conclusion, this will remain a trial that has to be done keeping in mind the relevant trial protocols and with approvals. Not doing so is illegal and can even be life threatening."

In a series of tweets, the ICMR said: "Currently, there are no approved, definitive therapies for #COVID19. Convalescent plasma is one of the several emerging therapies. However, there is no robust evidence to support it for routine therapy. @US_FDA has also viewed it as an experimental therapy. Convalescent plasma therapy comes with its own share of technical challenges, like antibody titer testing. There are also several risks of using this therapy including life-threatening allergic reactions and lung injury."

"Given the serious uncertainties around #COVID19 convalescent plasma therapy, @ICMRDelhi has initiated a multi-centre clinical trial to evaluate the safety and efficacy of using this therapy in #COVID19 patients in India. Despite the threat of #COVID19 #pandemic, there's a need to ensure the ethical integrity & establish the scientific basis of using #COVID19 convalescent plasma therapy in patients," it said.

About 17 districts, which earlier had positive cases, have not reported any new case in the last 28 days. While this list includes two new districts — Kalimpong (West Bengal) and Wayanad (Kerala) — Lakhisarai (Bihar) has dropped out.

Vaccine could potentially be available later this year

"THESE ARE ALL things we are looking at now as potential opportunities to perhaps deliver vaccines even faster than the 12 to 18 months we were discussing," he said on a call Monday.

As the number of coronavirus infections globally nears 3 million, the pressure is growing to come up with therapies and vaccines to combat the contagion. Dozens of companies around the world are pursuing a vaccine, among them Sanofi, Johnson & Johnson and Moderna Inc.

A University of Oxford team led by Sarah Gilbert, a professor of vaccinology, has begun trials of a potential vaccine and aims to get efficacy results as soon as September. Manufacturing is already underway.

Caution urged

Some experts have called for caution, noting that most vaccines go through years of testing before they hit the market, and that 12 to 18 months would be extraordinarily fast. The coronavirus shots moving most rapidly are made with new technologies that have never proven useful in humans.

Hatchett said he doesn't want to overpromise, but several vaccines backed by CEPI may enter a second phase of testing as soon as late spring or this summer. That means the first could become available in 2020 if they prove to be safe and effective, probably on an emergency-use basis. In that scenario, they might be accessible only to certain at-risk populations before being deployed more widely.

Developers are mindful of examples in the past where rapid vaccine development "unfortunately led to bad outcomes," he said. "We take it with the utmost seriousness. We cannot cut corners. It's absolutely critical that we ensure safety and efficacy."

With experimental vaccines progressing, governments and health groups are turning to the challenge of producing enough doses to meet global demand and ensuring that shots are distributed equitably. The coalition wants to set up manufacturing in every region of the world and has been talking with other groups including Gavi, the Vaccine Alliance, which helps developing countries finance and distribute vaccines.

"Given the economic disruption that is caused by the pandemic and the global interconnectedness of the economy, if we don't address the pandemic everywhere, we will still be at risk," Hatchett said.

Global coordination

The head of Sanofi, Paul Hudson, raised questions last week about Europe's ability to manufacture enough doses and said the US may be in a position to vaccinate first, thanks to the Biomedical Advanced Research and Development Authority, a government agency that backs vaccine development.

"We should really have a global perspective and make sure we don't end up limiting the access because it's produced in certain countries," Erna Solberg, Norway's prime minister, said on the call with CEPI's head. CEPI has secured commitments for about half of the \$2 billion it estimates will be needed to develop the vaccines, and it may invest in 15 or more programs, Hatchett said.

The coalition is partnering with companies including Moderna and Inovio Pharmaceuticals Inc., along with institutions such as Oxford and the University of Queensland in Australia. — *Bloomberg*

Axis Bank sets aside ₹3,000 cr for Covid-19 impact

THE CORPORATE SLIPPAGES stood at ₹1,839 crore.

The gross NPAs in Q4FY20 were ₹30,234 crore or 4.86% against 5% in December 2019. The net NPAs were ₹9,360 crore or 1.56% compared with 2.09% in December 2019.

As of March 31, the bank's provision coverage, as a proportion of gross NPAs stood at 69%. The bank made aggregate additional provisions of ₹5,983 crore in Q4FY20, including ₹3,000 crore for the impact of the pandemic.

The overall additional provisions held by the bank towards various contingencies together with the standard asset provisions, translate to a standard asset coverage of 1.3% as on March 31.

India to suffer significant contraction, requires ₹10-trn stimulus: Former CEA

THE INTERNATIONAL MONETARY Fund (IMF) this month cut its India growth forecast to 1.9% for FY21 from 5.8% projected in January, even as it predicted a 3% contraction for 2020 global GDP, warning that the Covid-19 outbreak has plunged the global economy into its worst recession since the Great Depression in 1930s. However, economic expansion for India will likely rebound to 7.4% in the next fiscal, the Fund said.

"I think the kind of lockdown policies in India have not been any less than those in advanced countries. So far, India has a fiscal response of less than 1% of GDP, whereas on average, the advanced countries have a response of 8.5% of GDP. If you put all these together, I cannot see how even allowing for the fact that India is a more dynamic economy, how India's growth rate cannot decline by the orders of magnitude that the IMF is projecting for the advanced countries," Subramanian said.

He added: "It's not as if India by spending 5% of GDP is going to suddenly become more irresponsible than other countries. This is an exogenous shock, which nobody was responsible for. If the government policy is reasonably responsible, going forward, which I think it will, and I think affordability is not an issue."

On the possible sources of resources, the former CEA said: "It should come from a variety of sources... from abroad, NRIs and multilateral institutions". While appreciating the need for some cuts on the expenditure, he supported a judicious mix of steps including solidarity taxes, printing money and issuing more bonds to the public. "So I think that we need to do everything, all of the above, so as to not burden any one sector, or anyone."

Indian criticism of coronavirus test kits is irresponsible: China

The Indian Council of Medical Research said it planned to return the kits for antibody tests procured from two Chinese firms

SANJEEV MIGLANI
New Delhi, April 28

CHINA HAS CRITICISED India's decision to stop using Chinese testing kits for the novel coronavirus because of quality issues as unfair and irresponsible in the latest strain in their ties.

The Indian Council of Medical Research, the top agency dealing with the coronavirus outbreak, said on Monday it planned to return the kits for antibody tests procured from two Chinese firms because of poor accuracy.

The Chinese embassy said it was deeply concerned by the Indian decision and Chinese authorities had validated the equipment produced by the two firms, Guangzhou Wondfo Biotech and Zhuhai Livzon Diagnostics.

“It is unfair and irresponsible for certain individuals to label Chinese products as ‘faulty’ and look at issues with preemptive prejudice,” embassy spokeswoman Ji Rong said in a statement.

The Chinese companies had exported equipment to several countries in Europe, Asia and Latin America without any problem, she said.

China was trying to help India fight the coronavirus with concrete action and it made sure the quality of its medical exports is a priority with manufacturers, Ji said.

Wondfo Biotech said in a statement it stood by the quality of its equipment and it had been validated by the Indian medical research body itself at the time of issuing an import license.

The diplomatic flap comes days after China criticised an Indian decision to step up scrutiny of investments from neighbouring countries, seen as a move to stave off opportunistic takeovers by Chinese firms during the coronavirus outbreak.

The two countries have been taking steps to improve ties but distrust stemming from a disputed border and China's growing influence across the region remains deep in India.

India ordered more than half a million Chinese kits for testing for antibodies to the coronavirus this month as a way to boost its screening, among the lowest per capita in the world.

The antibody tests taken from blood samples do not always pick up early-stage infections but show whether a person had the virus in the past, even if the person had no symptoms.

In comparison, the standard swab test determines whether a person has the virus at that moment by looking for it in secretions.

Several Indian states said the Chinese tests had produced conflicting results.

Officials in Rajasthan state said the kits were initially used for testing patients who already had a confirmed infection for coronavirus but some results came back negative.

Ji said the tests needed to be carried out in a professional manner to produce accurate results.

“There are strict requirements for the storage, tranportation and use of Covid-19 antibody rapid test kits,” she said. “Any operation which is not carried out by professionals in accordance with the product specifications will lead to the testing accuracy variations.”

— REUTERS

Despite low arrivals, mandi prices of rabi crops up to 15% below MSPs

PRABHUDATTA MISHRA
New Delhi, April 28

AVERAGE PRICES OF four out of five major rabi crops — wheat, chana, mustard and barley — were up to 15% below their minimum support prices (MSPs) in the past month. In states where the mandi arrivals are higher, the prices of these crops were lower than the all-India average rates.

The prices remained subdued even as gross market arrivals of these four crops are only about 25-30% of the year-ago levels. Many mandis across the country were opened for trading nearly a fortnight ago. The low demand due to the Covid-19 pandemic is believed to be the reason for the price slump. Also, sections of traders are still not operating.

The all-India weighted average mandi price of wheat was ₹1,908/quintal, down by 1% from its MSP during April 1-27 while it was ₹1,864 and ₹1,844 in Madhya Pradesh and Rajasthan, respectively. Since Punjab and Haryana have assured farmers to buy the entire wheat crop under MSP operations for the central pool, the mandi prices were ruling at MSP level – ₹1,925/quintal – in these states.

“The procurement system in Madhya Pradesh is faulty and made the entire process slow. The government is not able to ensure that all the farmers called to the purchase centres turn up on the scheduled date. They should verify if an SMS actually reaching them in time,” said Sunilam, a farmer leader. The situation will not be managed if the lockdown is extended when comparatively large farmers are called to the centres, he said.

Currently only small and marginal farmers having less than two hectare of land are called to the purchase centres in Madhya Pradesh.

Madhya Pradesh, where the wheat harvesting has been completed in 99% of the planted area, has been very slow in official procurement of wheat due to enforcement of social distancing. A total of 1.9 million tonne of wheat has been procured until April 27 against a target of 10 million tonne while Punjab has purchased 5.5 million tonne out of 13.5-million tonne target. The official procurement started from April 15 in both the states.

The Food Corporation of India has procured 10.24 million tonne of wheat so far, which is 25% of the target.

On the other hand, the Centre's nodal agency Nafed (for oilseeds and pulses) has purchased 72,416 tonne of chana, which is less than 3% of the sanctioned quantity under PM-Aasha scheme. The procurement of mustard, the key rabi-grown oilseed, at 0.18 million tonne is nearly 10% of the targeted purchase.

The weighted average mandi prices of chana and mustard were 15.4% and 12.6% below their respective MSPs in the review period of April 1-27. Considering the arrivals of both these crops at 0.25 million tonne as reported by mandis during the review period, farmers have lost nearly ₹160 crore due to lack of effective implementation of the PM-Aasha scheme as they were forced to sell at lower rates in the open market. Only masur crop is selling above its MSP in all the states.

“To ensure MSP for farmers, the government has to ensure the auction in mandis start from MSP level and designate the village level primary agricultural cooperative society as permanent procurement centres,” said Rampal Jat, a farmer leader of Rajasthan, which is the top producer of mustard and barley.

FACTFILE

- All-India weighted average mandi price of wheat was ₹1,908/quintal, down by 1% from its MSP during April 1-27
- It was ₹1,864 and ₹1,844 in Madhya Pradesh and Rajasthan, respectively
- Mandi prices were ruling at MSP level – 1,925/quintal – in Punjab and Haryana
- Madhya Pradesh has been very slow in official procurement of wheat due to enforcement of social distancing

India ties up with Brics partners to protect MSMEs

FE BUREAU
New Delhi, April 28

INDIA ON TUESDAY joined its Brics partners — Brazil, Russia, China and South Africa — in a call for providing support to businesses, especially MSMEs, to tide over the Covid-19 crisis and ensure livelihoods are not lost, even as the likelihood of a Brics summit to be hosted by Russia in July this year looks increasingly remote.

Addressing the Brics ministers of foreign affairs video conference convened by the current Brics chair, Russia, external affairs minister S Jaishankar emphasised that the pandemic is not only posing a great risk to the health and well being of humanity but is also severely impacting global economy and output by disruption of global trade and supply chains. In 2018, the GDP of all Brics countries amounted to approximately $19.61 billion. “Economic activity across sectors has been negatively impacted leading to loss of jobs and livelihoods,” said Jaishankar.

Power ministry asks plants to reduce coal imports

FE BUREAU
New Delhi, April 28

THE UNION POWER ministry has asked thermal power plants to reduce coal imports and use the fuel more from domestic suppliers as coal stocks are piling up at pitheads and power plants are already loaded with the fuel amid low electricity demand.

In a letter to power producers written on Tuesday, the government has asked power plants which blend high quality imported coal with domestic fuel to “make best efforts to replace their imports with domestic coal”.

Out of the 198.5 giga watt (GW) of installed coal-based power plants, more than 162 GW import coal for power generation. However, 144.6 GW of this capacity import coal for blending with the local variant, while 17.6 GW are designed to run specifically on imported coal. In FY20, power plants in the country imported 69.2 million tonne (MT) coal, up 12% annually. Of this, 45.5 MT were imported by plants designed to run on imported coal.

In the wake of power demand slowing down due to muted industrial and commercial activities amid the lockdown to contain the coronavirus, power plants currently have coal stocks of about 50 MT which can sustain them for 30 days. Since power plants are not very keen to lift coal as of now, it raises the risk of Coal India's (CIL) output coming down for the second year in a row. Coal companies have to moderate production according to offtake, as coal cannot be stockpiled beyond a certain quantity without the risk of catching fire. Lower offtake also increases the scope of pilferage.

If power plants, at the government's behest, agree to reduce imports then CIL's FY21 production target of 710 MT might become achievable. Bucking the upward trend of several years, CIL's output declined 0.8% annually to 602.1 MT in FY20, mainly due to excessive rainfall hampering mining operations during the monsoon earlier this financial year. The drop in CIL production in FY20 would have been much lower had it not recorded a 9.9% annual rise in the final three months' output.

HC stays Kerala govt move to cut salaries

FE BUREAU
Kochi, April 28

KERALA GOVERNMENT'S MOVE to deduct salary of its employees in the wake of the Covid pandemic was put on hold by the high court when it stayed the operationalisation of the order for two months.

Justice Bechu Kurian Thomas issued the interim order considering a batch of petitions filed by a section of employees and their organisations challenging the government decision. The court said in the order that payment of salary to an employee is certainly not a matter of charity and it is a right vested in every individual to receive a salary.

The court also added that the government's order is not backed by any authority of law, including Disaster Management Act or Epidemic Diseases Act. The state government, in its order, said that the employees' salary for six days every month would be deducted for the next five months."This would be applicable to employees of all state-owned enterprises, public sector undertakings, quasi-government organisations, universities, etc in the state," the order had said. The order also stated that ministers, MLAs, various board members, local body institution members, members of various commissions would receive 30% less salary for one year. However, the state had said that there will be no salary cut for those earning less than ₹20,000 per month.

Summer sowing in Guj surges 140%

FE BUREAU
Ahmedabad, April 28

AMID CORONAVIRUS PANDEMIC, Gujarat is witnessing unprecedented rise of nearly 140% in summer sowing with 9.57 lakh hectare being already sown in the state till Tuesday as compared to previous year's 6.82 lakh hectare. Sources in the state agriculture department said they were expecting further increase in sowing and according to their estimate, current summer season's sowing may touch historic 10 lakh hectare.

“Due to excellent monsoon, farmers in the state are getting adequate water for irrigation. Unlike previous year, irrigation water was released from Narmada dam till the beginning of April,” said CM Patel, joint director of agriculture. Another important factor for more coverage in sowing is the recession in diamond industry as well as ongoing lockdown due to Covid-19 pandemic.

Most of the labourers employed in diamond industry in Surat have returned to their native places and engaged themselves in farming activities, said a senior official with Gujarat State Agriculture Marketing Board, adding that since water was available, lakhs of hectare of extra land was cultivated for summer. According to the state agriculture department, area of groundnut sowing has increased from 28,060 hectare to 60,109 hectare, indicating an increase of almost 215%. Sesame's area under sowing has also augmented by nearly 310% from 18, 887 hectare to 58,178 hectare.

There has been considerable rise in sowing of cereal crops as sowing of paddy has gone up from 29,353 hectare to 54,941 hectare, showing a 188% increase in sowing area.

Fitch: India's rating could come under pressure if fiscal outlook deteriorates

PRESS TRUST OF INDIA
New Delhi, April 28

FITCH RATINGS ON Tuesday said India's sovereign rating could come under pressure if there is further deterioration in the country's fiscal outlook as a result of lower growth or fiscal easing due to the Covid-19 pandemic.

It projected India's debt to GDP ratio to rise to 77% in current fiscal, up from 70% in 2019-20, assuming that economic growth slows and fiscal deficit widens.

Fitch also said that given the extended lockdown till May 3, India is likely to announce further fiscal easing to support growth, and its assessment of India's rating in such a case would be guided by the judgement of its probable medium-term fiscal path in the post-crisis environment.

“Further deterioration in the fiscal outlook as a result of lower growth or fiscal easing could pressure the sovereign rating in light of the limited fiscal headroom India had when it entered this crisis,” Fitch said in a statement.

Fitch had in December 2019 reaffirmed India's ‘BBB-’ rating with a stable outlook.

It said the government may tighten fiscal policy again once the pandemic is under control, but India's record of meeting fiscal targets and implementing fiscal rules has been mixed in recent years.

This “will colour our assessment of any official commitment to tighten fiscal policy over the medium term”, it said.

The government has overshot the fiscal deficit estimate of 2019-20 fiscal. It had originally pegged deficit at 3.3% of the gross domestic product (GDP) at the time of presentation of the Union Budget in July last year but, in revised estimates, the deficit is pegged higher at 3.8%.

For 2020-21, the fiscal deficit has been estimated at 3.5% of GDP.

Fitch has cut its economic growth forecast for India to 0.8% for the fiscal year ending March 2021 (FY21), reflecting the impact of the coronavirus pandemic, down sharply from its forecast of 5.6% prior to the outbreak.

“We expect growth to rebound to 6.7% in FY22, but there is a risk that the crisis could amplify fiscal and financial sector strains and hurt the country's growth prospects over the medium term,” Fitch added.

Saying that the country has limited fiscal space to respond to the challenges posed by the health crisis, Fitch said general government debt stood at 70% of GDP in FY20, according to our estimate, well above the ‘BBB’ median of 42%.

“India's relatively robust external position supports its sovereign rating, and has helped to offset its comparatively weaker fiscal metrics.

“We now expect India's ratio of public debt/GDP to rise to over 77% of GDP in FY21 — up from a forecast of 71% when we affirmed the rating in December — and to stay on an upward track in FY22,” Fitch said.

Besides healthcare cost, the government is also faced with the additional burden of giving booster or stimulus to sectors and industries hit by a nationwide lockdown. The lockdown that began on March 25, was extended until May 3.

Late last month, the government had announced a ₹1.7 lakh crore stimulus package comprising of free foodgrains and cooking gas to poor and cash dole to poor women and elderly.

A second package, aimed at industries, is said to be in works and is likely to be announced shortly.

Fitch said the authorities have eased monetary policy significantly to support the economy. The Reserve Bank of India has cut the repo rate to 4.40% the reverse repo rate to 3.75%. It has also provided liquidity through long-term repo operations. Prudential requirements for banks have also been eased to free up liquidity for lending.

“Risks to the medium-term economic outlook will increase if India experiences another bout of stress in its financial system.

Unified regulator for IFSC

PRESS TRUST OF INDIA
New Delhi, April 28

THE GOVERNMENT HAS established International Financial Services Centres Authority to regulate all financial services in International Financial Services Centres (IFSCs) in Gandhinagar.

The unified authority would will be headquartered in Gandhinagar, Gujarat.

Currently, banking, capital markets and insurance sectors in IFSC are regulated by multiple regulators — the RBI, Securities and Exchange Board of India (Sebi), and Insurance Regulatory and Development Authority of India (Irdai).

“The central government hereby appoints the 27th of April, 2020 as the date of the establishment of the International Financial Services Centres Authority and the head office of that Authority shall be at Gandhinagar, Gujarat,” as per a notification.

Tapan Ray, MD and Group CEO, GIFT City, has welcomed the government's decision to set up the IFSC Authority headquarters at Gandhinagar.

“This will provide a single window regulatory institution which would accelerate the development of India's first IFSC at GIFT City, Gandhinagar,” he added. He further said that both national and international institutions dealing with international financial services would utilise the IFSC platform for inbound and outbound investments.

Andhra to set up digital kiosks for farmers

B V MAHALAKSHMI
Hyderabad, April 28

THE ANDHRA PRADESH government is setting up 11,158 Rythu Bharosa centres with digital kiosks for integrating agriculture inputs and advisories, to assist farmers. These centres, which will be set up in a phased manner by June, are virtual shops for large retailers and other bulk buyers to take orders from farmers and will have model products on display.

Besides, the state government will create new bank accounts for some 56 lakh farmers and issue 1.12 crore credit/debit cards to them by the next kharif season to enable them to avail crop loans and other government benefits.

“Farmers are expecting quality seeds and it is our responsibility to supply them without any irregularities,” chief minister Jagan Mohan Reddy said after a review meeting. Rythu Bharosa centres are a one-stop shop for supply of government-certified agriculture inputs such as seeds, fertilisers and pesticides, animal husbandry and fisheries inputs and will have an attached knowledge centre for giving scientific farm advisories to farmers at all mandal levels.

“These centres will work in coordination with village secretariats. Agriculture, horticulture, sericulture, veterinary assistants and doctors, along with revenue officials would be available at these centres. Measures will be taken to ensure bankers too are available at these centres,” Reddy added.

The state government has already implemented Rythu Bharosa scheme under which it has provided ₹13,500 per farmer family. A total of 46 lakh farmers, including tenant farmers were provided the amount in instalments. The YSR Rythu Bharosa Scheme is a welfare scheme under which financial assistance is provided to the farmers. Under this scheme, land holder farmers owning up to five acres will be given with an annual benefit of ₹13,500. Landless cultivators or tenant farmers from SC, ST, BC and minority groups are also eligible for the incentive.

Companies

WEDNESDAY, APRIL 29, 2020

COVID EFFECT ON ECONOMY

Sajjan Jindal, chairman, JSW Group

"We need to find ways to work within a new normal to bring this economy back to capacity in the shortest period of time"

Quick View

Coca-Cola commits ₹100 cr to support fight against Covid

BEVERAGES MAJOR Coca-Cola on Tuesday said it has committed an initial ₹100 crore to help the healthcare system and communities combat the coronavirus pandemic. The relief programmes initiated by Coca-Cola in India aim at benefitting and positively impacting over 10 lakh lives across the country, the company said in a statement. Coca-Cola said its financial contribution will be utilised for various purposes, which include activation of over 50 locations across 10 states in partnership with its bottlers to support the hydration needs of the underserved communities through distribution of beverages during the lockdown period.

Curbs: Anand Mahindra for 'comprehensive' lifting

MAHINDRA GROUP chairman Anand Mahindra on Tuesday suggested a "comprehensive" lifting of lockdown after 49 days, saying the industrial recovery will be painfully slow if the government goes for "sequential opening" of different parts of the country. While acknowledging that the government has a complex challenge in planning an exit strategy, he said considering how intricately interrelated the elements of the economy are, the road ahead must be planned on the basis of containment by widespread tracking and testing, isolation only of hotspots and vulnerable segments of the population.

Rallis India resumes operations at 3 plants

RALLIS INDIA has resumed operations at its plants located at Lote, Ankleshwar and Dahej effective April 27, 2020, company said in a statement. The company said that after completing critical maintenance jobs which could be taken up by advancing the annual shutdown, the production levels will be gradually increased.

TVS Motor gets nod for issuance of ₹500-cr NCDs

TVS MOTOR Company on Tuesday informed the stock exchanges that the board of directors of the company approved the issuance of non-convertible debentures aggregating up to ₹500 crore on a private placement basis.

Medlife launches at-home Covid testing

E-HEALTH PLATFORM Medlife on Tuesday said it has partnered with accredited labs to launch at-home testing for Covid-19 in select cities, and plans to expand it going forward. The price of a test is set at ₹4,500 and will be conducted by labs authorised by the Indian Council of Medical Research, Medlife said in a statement.

Kone offers free cloud tech for critical sites

ELEVATOR MAJOR Kone India, a fully-owned subsidiary of Finland-based Kone Corporation, has announced that it is offering free cloud technology to keep critical sites operational during the Covid-19 crisis. The company, which has its Indian headquarters in Chennai, will install Kone 24/7 Connected Services for free for the first six months for its current customers who operate medical facilities.

Piaggio Vehicles extends warranty, free services

PIAGGIO VEHICLES (PVPL), a 100% subsidiary of the Italian Piaggio group, on Tuesday announced the extension of warranty and free service period for its small commercial vehicle customers. The company has extended a two-month extension for both warranty and free service periods for vehicles whose warranty and free services expire between March 1 and May 3, 2020. Apart from the warranty and service period extension, all vehicles of PVPL customers will be sanitised free of cost within 15 days after the lockdown is over, said a press release.

CAPITAL BOOST

IDFC First Bank mulls $200-m share sale

SUVASHREE GHOSH & ANTO ANTONY
Mumbai, April 28

IDFC FIRST BANK is considering a $200-million share sale to bolster its capital, people familiar with the matter said, as the lockdown in India raises the risk of loan defaults.

The private sector lender is waiting for the five-week lockdown to end before firming up the route for fundraising, the people said, asking not to be identified because the information is private. The lender might consider a sale of new shares to institutional investors among other options, the people said.

IDFC Bank, which got a banking permit in 2015, is joining peers including Kotak Mahindra Bank, Yes Bank and IndusInd Bank with plans to tap the capital market. The bank's capital adequacy ratio was 13.3% at the end of December, most of which was core equity.

No final decision has been taken on the share sale, and the timing ultimately depends on the impact of the coronavirus outbreak on the business, the people said. As well as bolstering its capital, the new share issue would position the bank for growth once the lockdown ends, one of them said.

A representative for IDFC First Bank declined to comment. In a regulatory filing on Tuesday, the bank said a capital raising via preferential allotment will be discussed at a board meeting on Friday.

Shares of the Warburg Pincus-backed lender have dropped more than 50% this year and were trading at ₹22 apiece in Mumbai on Tuesday. The nine-stock Bankex Index has dropped 36% in 2020.

BLOOMBERG

The lender is waiting for the lockdown to end before firming up the route for fundraising. It might consider a sale of new shares to institutional investors among other options

Covid-19 has put 50% of passenger vehicle sales at risk, says Crisil

FE BUREAU
Chennai, April 28

THE UNABATED SPREAD of Covid-19 has put 50% of passenger vehicle sales at risk, ratings agency Crisil said in a note on Tuesday. Sales of discretionary automobiles such as passenger vehicles (PVs) and two-wheelers, the agency said, were likely to remain under pressure in the near term.

As things stand, even if the nation-wide lockdown is lifted on May 3, 2020, resumption of normal operations at automobile dealerships would depend on whether a dealership is located outside the demarcated hotspots and if it has the necessary licences from the state/district administration to operate. Besides, GDP growth is forecast to slow down to 1.8% this fiscal, portending demand-side pressures, Crisil noted.

Segregating the districts by the level of risk from the pandemic, the research note pointed that 'high impact' and 'very high impact' districts together account for 56% of two-wheeler and 68% of PV sales in India.

In 'very high impact' districts, the level of risk is considerably different for the two segments, with half of PV sales and a third of two-wheeler sales expected to be impacted.

WHEEL OF MISFORTUNE

- The research note pointed that 'high impact' and 'very high impact' districts together account for 56% of two-wheeler and 68% of PV sales in India
- On the brighter side, 44% and 32% of the market for two-wheelers and PVs, respectively, lie in 'very low to moderate' risk districts

On the brighter side, 44% and 32% of the market for two-wheelers and PVs, respectively, lie in 'very low to moderate' risk districts, where normalcy is likely to return relatively more quickly, although in a phased manner. In these districts as well, change in customer behaviour, and the impact of the coronavirus disease on consumer incomes and finance penetration will be felt, the note said.

Given this, automobile manufacturers and vehicle financiers need to tactically target low-to-moderately impacted districts and also appropriately retune their strategies in high-to-very high impact districts to minimise the impact on their sales performance.

Ajay Srinivasan, director, Crisil Research, said: "An analysis of district-wise sales pattern reveals that the passenger vehicle segment has higher inherent risk compared with two-wheelers, because of a relatively higher concentration of sales in the top 100 districts. These districts account for 62% of passenger vehicle sales and only 45% of two-wheeler sales, in terms of volume."

According to Hemal N Thakkar, associate director, Crisil Research, "Players in the industry will have to devise a strategy after carefully considering their product portfolios, sales distribution by district and dealership presence — all of which are key to pushing volumes in this scenario. Prioritisation of districts on the basis of opportunities and risks will be the new matrix to work on."

To capture the magnitude of risk for automobile sales, Crisil Research deployed a two-factor framework, comprising the industry's sales opportunity and the size of risk from Covid-19.

The opportunity was captured in terms of district-wise concentration of sales and growth momentum, and the risk in terms of district-wise assessment of present case intensity and further risks of the virus spread.

Nokia wins ₹7,500-crore deal from Bharti Airtel for 4G network solutions

FE BUREAU
New Delhi, April 28

FINNISH TELECOM GEAR maker Nokia has bagged an about ₹7,500-crore deal from Bharti Airtel to deploy 4G network solutions across nine circles in the country. The deal will help Airtel to enhance network capacity and improve customer experience.

The roll-out, which will also lay the foundation for providing 5G connectivity in the future, will see approximately 300,000 radio units deployed across several spectrum bands, including 900 MHz, 1800 MHz, 2100 MHz and 2300 MHz, and is expected to be completed by 2022.

According to Nokia, India is experiencing a massive increase in demand for data services with traffic increasing by 47% in 2019 alone. Nokia said it will be the sole provider of single radio access network (SRAN) in these 9 circles.

Gopal Vittal, MD & CEO (India and South Asia) at Bharti Airtel, said: "We are committed to continuously invest in emerging network technologies to provide a best-in-class experience to our customers. We have been working with Nokia for more than a decade now and are delighted to use Nokia's SRAN products in further improving the capacity and coverage of our network as we prepare for the 5G era."

Rajeev Suri, president and CEO at Nokia, said, "This is an important agreement for the future of connectivity in one of the world's largest telecoms markets and solidifies our position in India."

The rollout, which will also lay the foundation for providing 5G connectivity in the future, will see approximately 300,000 radio units deployed across several spectrum bands

Some sectors may take long to recover after lockdown: Rating agencies

FE BUREAU
Mumbai, April 28

EVEN AFTER THE Covid-related lockdowns are eventually lifted, some sectors may take a long time to recover from the shock of the disruption, rating agencies said on Tuesday. While Icra said that it is undertaking a review of its portfolio of ratings by assessing risk both at the sector level as well as the entity level, Crisil said some sectors could face a permanent loss of demand as a result of Covid-19.

Icra is working on a heat map of sectors, marking out the high-risk, medium-risk and low-risk sectors, with focus of analysis on the first two. Similarly, entity-level risk mapping involves risk categorisation in terms of most vulnerable, moderately vulnerable and relatively less vulnerable entities. The high-risk sectors, such as aviation, gems & jewellery, tourism and hotels and microfinance institutions are the ones that face severe business disruption over the immediate term and where the recovery is more likely to be prolonged.

The medium-risk sectors, including automobile manufacturers & auto-ancillaries, construction, consumer durables and power face a relatively lower degree of business disruptions and credit risks. The low-risk sectors like agri-products, education, fast-moving consumer goods (FMCG) and telecom are unlikely to face material business disruption, or a material increase in credit risks over the near term, triggered solely by the Covid-19 crisis, Icra said.

Aside from undertaking a review of the liquidity position of the rated entities over the near term, Icra said it may also be redrawing its projections for various cases, by assuming that a 'business as usual' operating environment may not return soon. This analysis would be an additional input for deciding upon rating actions.

High-risk sectors such as aviation, gems & jewellery, tourism and hotels, and microfinance institutions are the ones that face severe business disruption over the immediate term

Jitin Makkar, head credit policy, Icra, said that subsequent to the agency's FY20 ratings action, the Covid-triggered crisis has led to a widespread deterioration in the credit quality of India Inc. "The credit challenges are overwhelming and would impact the credit profiles of a large number of entities across sectors in an unprecedented manner," he said.

Crisil said that some sectors from the manufacturing and services categories could face a permanent loss of demand. In the industrial segment, sectors such as food products, cement, steel and other items used in construction, export items such as gems & jewellery and textiles face the threat of permanent loss of demand, or a scenario where even pent-up demand may not compensate for the loss. In other sub-sectors, such as consumer durables, car retailing and discretionary goods, there could be demand postponement.

"But the services sector could be hit harder because a larger part of it either support industrial activity or are discretionary in nature," Crisil said in a report, adding that some of this, however, will be offset by growth in telecom revenue due to higher usage of data and higher media consumption. Permanent demand loss is more likely in sectors such as retail trade, education, air, rail, road & water transport, logistics, real estate, entertainment, hotels & restaurants and other personal discretionary services, Crisil said.

BSE brings negative price feature for commodity derivatives

PRESS TRUST OF INDIA
New Delhi, April 28

BSE WILL MAKE available the negative price level feature at its trading system for commodity derivatives segment, the leading exchange said on Tuesday.

This comes following a recent global development in the crude oil derivatives market where trading of derivatives contracts happened at negative prices owing to various underlying factors.

Market experts welcomed the move, saying it is a very progressive step.

In a circular, BSE informed its trading members of commodity derivative segment that the exchange's trading system has been modified to accept orders and execute trades at negative prices.

To facilitate testing of this feature in the simulation (test) environment, the exchange said that trading price range of Brent Crude Oil futures contracts will be suitably updated to accept orders at negative price levels and to execute trades.

The new feature will be made available to members to test from Monday, May 4, 2020 onwards, it added.

According to the exchange, trading members and front-end trading application vendors will be able to place test orders and trade in these contracts at those price levels. This will help members in checking the readiness of their internal systems and make suitable modifications, if any required, the exchange noted.

The development comes following a recent global development in the crude oil derivatives market, where trading of derivatives contracts happened at negative prices owing to various underlying factors

Narinder Wadhwa, president of Commodity Participants Association of India (CPAI), welcomed the clarity from BSE on contract specifications and infrastructure capability at trading platform for negative rates especially after the recent crude oil fiasco on MCX and NYMEX. The crude prices went into an unprecedented negative $37 per barrel. "Although we have realised after this episode that they are non comparable contracts for our settlement reference rates because of deliverability factor in NYMEX. Since crude oil contracts on our exchanges are cash settled, in our opinion it should not be negative. At lower end it should be ₹1," he added.

M Sriram Iyer, senior research analyst at Reliance Securities, said this is a very progressive step and will make the commodity trading on Indian exchange platform ready for any black swan events as witnessed in the last few weeks on NYMEX.

INTERVIEW: VIPIN SONDHI, MD & CEO, Ashok Leyland

'Economic support package, handholding of MSMEs need of the hour'

An economic support package, resumption of supply chains, handholding of MSMEs with working capital support and interest-free loans are need of the hour to trigger economic activities post lifting of lockdown, said ***Vipin Sondhi****, MD & CEO of Hinduja group flagship Ashok Leyland. The CV sector would see an adverse impact and reduced demand, hence allowing other sectors to reopen; an early announcement of scrappage policy would bring in some cheers to the CV industry. In an interview with* ***R Ravichandran*** *of FE, Sondhi said consumer demand needs to be triggered through a slew of reforms and measures: Excerpts:*

How do you view the current situation and what are the possibilities you see?

We are facing a challenging situation today due to the pandemic. The economy has been severely affected and a calibrated and safe exit from the lockdown, subject to considerations being given to the geographical spread of Covid in the country, would be a practical approach to restart economic activity. An economic support package at the very least is critical to kick-start economic activity after this long period of disruption. Supply chains need to be re-started, migrant labour needs to come back to work (in a systematic and safe manner), and consumer demand needs to be triggered.

Are the liquidity announcements made by the Union government and RBI enough for the industries, particularly for MSMEs?

The measures taken by the government and the RBI are in the right direction, but a lot more needs to be done, and soon. The government will have to manage the state of the economy, especially for the stressed sections of the society — daily wage earners, the agriculture sector and the MSMEs. MSMEs will be needed to be supported even more as they are the backbone of Indian industry and form the key element of the product supply chain, be it agri-processing, textiles or auto-ancillaries. Some measures of support to be considered would be easy access to working capital and liquidity through banks and NBFCs; providing interest-free and collateral-free loans; introduction of an incentive for MSMEs to help them pay salaries and wages to their employees in these times; extension of the NPA-recognition period from 90 days to 360 days; ensuring that all pending payments to industry/MSMEs are cleared immediately by the government departments and PSUs.

What are the near- and long-term problems you see at this point of time from a CV manufacturer's perspective?

The CV sector is expected to witness an adverse impact in the short term on account of reduced demand. The need of the hour would be to boost demand. To boost demand and revive economic activity there should be gradual opening of the other sectors and enabling employment (especially for casual, and daily wage workers).

Clear operating guidelines should be provided to ensure social distancing and preventing spread of the virus. Some of the demand-side interventions to trigger consumption (individuals, government and corporates) would be acceleration of infrastructure spend of ₹1.7 lakh crore (already allocated in the Budget) to provide immediate impetus to the economy; a significant amount of this money can go towards to each of the 700 districts in the form of low cost housing and road construction, building agriculture warehousing and cold storage chains near farm gates.

Scrappage policy for automotives (>15 years) to incentivise new purchases. A special package is required for airlines, bus operators, hospitality, tourism and retailers. Export stimulus and reopening of port operations are needed. These would be some of the measures which could boost demand.

Do you see problems in the workforce, especially migrant labour?

Migrant labour need to be cared for and we should take all necessary measures to ensure that they are provided with food and shelter. In our case, our manpower is predominantly from local areas and since in the initial period we will be operating at very low levels, we foresee no problem in availability; also as we have to adopt social distance norms and health protocols we will gradually scale up and will keep with the demand.

Our contract manpower is also around premises and since we have been extending support by means of salary as well as food and healthcare, we should be able to ramp up. On resumption we will ensure that we provide mandatory health screening for migrant labourers once they report for duty; we are also setting up quarantining facilities for migrant labourers, if Covid-19 symptoms are identified.

Challenges in terms of logistics?

Logistics and transportation are the backbone of the economy, and in these challenging times, vehicles need to be running to transport essentials. Truckers ensure that the supply chain of these essential supplies are not disrupted, and the communities affected by the lockdown are cared for. We, in turn, need to care for these truckers and some measures which the government could take to assist these drivers are to provide minimum wages to the drivers, institute a driver-risk allowance for the next 6-9 months which can be charged to the customer as in service charges in a restaurant, incorporate a transport cess which can be used for their welfare.

To ensure that their health and safety are cared for, insurance for the drivers could be provided, and the working conditions for the truck drivers could be mandated through cabin regulation.

Your comments on the prospects of the CV industry this fiscal and the way forward?

While it is difficult to predict when the economy would start turning around and in turn help the CV sector, as already said, an economic support package would be critical to kick-start economic activity after this long period of disruption. Consumer demand needs to be triggered. Unless the ecosystem through the value chain opens, a truck cannot be produced or sold. After the lockdown is lifted we are going to enter into a new era of BS-VI, where customers are going to witness new-age trucks.

Smaller microlenders for relief package

MITHUN DASGUPTA
Kolkata, April 28

AT A TIME when cash flows are getting stretched for the microfinance industry due to the nationwide lockdown, microfinance lenders' umbrella body Sa-Dhan has urged finance minister Nirmala Sitharaman to come up with an economic relief package for the smaller microfinance institutions (MFIs). Within the relief package it has sought conversion of smaller MFIs' debt into equity or long-term debt.

In a letter to the finance minister, Sa-Dhan said, "You have recently announced an economic relief package that would benefit many poor and underprivileged sections. The government has kindly indicated a further economic stimulus package to boost the economy. Through this petition, we humbly request you to also announce a relief package for the smaller microfinance institutions which are also badly hit due to lockdown." Outlining a few suggestions for Sitharaman's consideration, the microfinance industry body, in a letter dated April 27, said, "All our lenders and banks/FIs may be advised to convert their outstanding loans into equity with five years of lock-in period and additionally to provide loans for further lending. Alternatively, these could also be converted to long-term loans of 5-7 years with reduced interest rates."

The small MFIs numbering 96, together have a loan portfolio of ₹5,000 crore and cater to nearly 25 lakh of poor and marginalised women borrowers, according to Sa-Dhan. Significantly, following RBI's announcement on allowing a moratorium on term loans for March 1 to May 31, most of the MFIs have extended a moratorium to their borrowers till May 31. However, the MFIs are yet to formally receive moratorium from their lenders and the absence of the same could severely impact their ability to serve their debt-servicing obligations. Due to the lockdown, loan collections activities of the MFIs have completely stopped.

"Due to stoppage of businesses and erosion of savings of our borrowers, our repayments will be hugely affected. We have already effected moratorium to our borrowers and are expecting the same from our lenders," small microlenders said in the letter. Significatly, rating agency Icra, in a release last week, said it expects the securitisation volumes for NBFC-MFIs to be impacted significantly in this fiscal as the outbreak is impacting their operations involved in executing transactions during the first quarter, availability of securitisable loans in originators' books caused by substantially lower incremental disbursements in March 2020 and Q1 FY21, and investors' interest towards the loans under moratorium and their cautious view on the high risk MFI sector as a whole. The outbreak is also impacting MFIs' funding pipeline due to growing concerns on credit profiles of them.

"MFIs could continue to face challenges in raising funds over the near term as securitisation of their pooled loan assets, which has been a key funding tool in the past two years, could see a rather sharp decline in FY21, at least in the first half depending upon severity and the longevity of the Covid-19 pandemic," said Abhishek Dafria, VP and head for structured finance ratings at Icra.

WFH rules relaxation for IT-ITeS sector till July 31

FE BUREAU
New Delhi, April 28

THE GOVERNMENT HAS further extended the relaxation of work from home (WFH) rules for the IT-ITeS sector till July 31 allowing companies to enable its workforce function smoothly. The department of telecommunications (DoT) had earlier relaxed certain rules for other service providers (OSPs), which are primarily IT and IT-enabled services companies, till April 30 to facilitate WFH during the lockdown.

The IT industry had sought the relaxation in norms from government to facilitate business continuity. Communications and IT minister Ravi Shankar Prasad said the WFH norms will be relaxed till July 31 now. He shared data from Nasscom, which stated that 85% of India's IT workforce is doing a good job while working from home.

The DoT had earlier relaxed certain rules for other service providers, which are primarily IT and IT-enabled services companies, till April 30 to facilitate WFH during the lockdown

Meanwhile, the government is also working towards bringing in new rules regarding WFH as going forward, it will be more prevalent. Telecom secretary Anshu Prakash told Financial Express that a meeting with industry stakeholders, including Nasscom, took place on Monday to understand about the requirements. "The new rules will be notified before July 31 after proper consultation with all stakeholders," Prakash said. The government has exempted the requirement of security deposit and agreement for WFH facility for OSPs. Also, the requirement of seeking prior permission for WFH facility was exempted. Another exemption includes the requirement of authorised Service Providers Provisioned secured VPN (PPVPN). "During this period, the OSPs are permitted to use secured VPN (virtual private network) configured using 'static IP' address by themselves for interconnection between home agent position and OSP Centre with predefined locations," the government order said.

It must be mentioned that most of the IT sector companies are expected to let a majority of its workforce to WFH in the coming few months. The notification of new guidelines is necessary to provide clarity to the companies.

UAE Exchange Centre in India not Permanent Establishment: SC

FE BUREAU
New Delhi, April 28

IN AN IMPORTANT judgment, the Supreme Court has held that UAE Exchange Centre's liaison office in India would not constitute a 'Permanent Establishment', thus not liable to pay tax as per the provisions of the Income Tax Act and the Double Taxation Avoidance Agreements (DTAAs) signed between the two nations. The bench, led by Justice A M Khanwilkar, while upholding the Delhi HC judgment that ruled in favour of UAE Exchange Centre, which offered remittance services to NRIs in UAE, held that levying of tax on the UAE body in India, when no trading, commercial or industrial activities took place, is against DTAA.

The SC held that the assessee was not carrying on any business activity in India as such, but was only dispensing with the remittances by downloading information from its main server in UAE and printing cheques/drafts drawn on the banks in India as per the instructions given by the NRI remitters in UAE. The transactions were being completed with the remitters in UAE, and no charges towards fee/commission could be collected by the liaison office in India in that regard, it stated.

"...no income as specified in Section 2(24) of the 1961 Act is earned by the liaison office in India and more so because the liaison office is not a PE in terms of Article 5 of DTAA (as it is only carrying on the activity of a preparatory or auxiliary character). The concomitant is – no tax can be levied or collected from the liaison office of the respondent in India in respect of the primary business activities consummated by the respondent in UAE... the deeming provisions in Sections 5 and 9 of the 1961 Act can have no bearing whatsoever," the judgment stated, adding that since by a legal fiction it is deemed not to be a PE of the respondent in India, it is not amenable to tax liability in terms of Article 7 of the DTAA.

As the dispute arose over one of the modes of its remittance services, the assessee had sought opinion of the Authority for Advance Rulings (AAR) on whether any income is accrued/deemed to be accrued in India from the activities carried out by it in India?"

The AAR favoured the department by concluding that so much of the profits as shall be deemed to accrue or arise to the respondent in India, which were attributable to the PE, namely, the liaison offices in India, would be taxable in India even under the DTAA.

Opinion

WEDNESDAY, APRIL 29, 2020

SPREADING HATRED

SP leader Akhilesh Yadav

"It is the basic training of the BJP to create hatred against Muslims. And they are doing just that. It will not end. The reports that they are demanding non-veg food and *biryani* in quarantine homes are being spread by them"

Hunting for an anti-Covid-19 drug

WHO's Solidarity and Oxford's RECOVERY trials can give a clearer picture on efficacy of drugs that showed early promise

A **CONSENSUS IS** developing globally amongst experts that Covid-19 will be here for longer than earlier imagined. WHO chief Tedros Adhanom Ghebreyesus talked about how many countries are still in the early stages of the epidemic, while chief scientist Soumya Swaminathan has warned against ignoring the possibility that the virus could become endemic. There are now reports of a second wave in China, with the country going for another round of lockdown. This underscores the urgent need to have a pharmacological intervention. While there was talk of an early breakthrough with existing drugs (against other conditions/pathogens) working against SARS-CoV-2, expectations are now tempered with conflicting findings in the therapeutics landscape and success unlikely before late first quarter of 2021 in the vaccine space.

The initial euphoria around chloroquine/hydroxychloroquine (HCQ)—the US president Donald Trump even called HCQ a "game-changer"—has worn off to a great extent, with trials showing no efficacy against Covid-19, or even adverse effect. While an early Chinese clinical trial talked about HCQ relieving Covid-19 symptoms faster in patients as compared to standard care, an American study reported increased mortality among patients administered treatment involving HCQ over those that received standard care. Hopes were similarly pinned on remdesivir, from Gilead Sciences, after leaked data of a University of Chicago trial showed early encouraging results. But, there were gaps in the sample selection, and soon after, findings from an aborted study in China showed remdesivir was having no effect. While Gilead has questioned the credibility of interpretations from an abandoned study, a fuller picture will perhaps emerge when the US National Institute of Allergy and Infectious Diseases (NIAID) reports its findings from a trial with a robust methodology. The lopinavir-ritonavir combination that had been touted early on to have anti-Covid-19 action, too, has not been able to demonstrate incontrovertible efficacy. On the vaccine front, seven vaccine candidates reaching the clinical trial stage, as per WHO data, within three months of the pandemic is a record of sorts, but a successful vaccine is still quite some distance away. While the earliest one to go into trial, the Moderna-NIAID one, completes the full duration of its trial sometime in the second quarter next year, Serum Institute of India, which has developed a candidate in partnership with the University of Oxford, says that it can make the vaccine available in October this year, if the vaccine passes the clinical trial.

Meanwhile, authorities and experts are batting for treatment protocols that show any sign of promise, whether in limited trials or on paper. For instance, Dr Robert Gallo, the co-discoverer of HIV, has strongly batted for the oral polio vaccine, which has been documented to induce an innate immunity response against a host of pathogens other than the poliovirus. In the same vein, many jurisdictions are clearing plasma therapy—that involves the use of antibodies against SARS-CoV-2 from patients who have recovered. While this is being used in cases showing severe symptoms, given there have been reports of reinfection, it is not clear if this is a temporary cure or a disease management tool. Although the uncertainty is daunting, with the WHO's Solidarity trial involving remdesivir, lopinavir-ritonavir, interferon alfa 2B (which has been reported to have some efficacy in patients in China) and chloroquine/HCQ, and the University of Oxford's RECOVERY trial, involving lopinavir-ritonavir, HCQ, low dose dexamethasone (helps regulate inflammatory response like cytokine storms), azithromycin and to cilizumab, hope of greater clarity on a therapeutic line of intervention will also likely get clearer.

Spirit of federalism

Centre must allow states to resume liquor sales

I**T IS EASY** to push a narrative against the states demanding resumption of liquor sales, given the socioeconomic threat that alcohol addiction presents. Also, alcohol consumption is generally held to have a negative impact on health; in the middle of a pandemic, facilitating this would seem counter-intuitive. More important, there is the fear that crowding at the liquor shops will defeat social distancing. However, the lockdown has severely impacted economic activity across the country—the phased lifting certainly doesn't mean businesses going back to pre-corona days—and state governments won't have much to look forward to in terms of SGST collections. With revenues drying up—VAT collections from fuel sales are likely a trickle now—and demand for support packages for residents rising, liquor sales would probably be the only way most states can earn. Data from RBI shows that liquor revenues account for 10-15% of the states' own-tax revenue. Given that states' total own-tax revenue for FY20 was budgeted at ₹14 lakh crore, excise collections from liquor would constitute ₹1.5-2 lakh crore. The actual collections could be higher once revenue from stamping, weights and measures applicable to liquor, VAT on alcohol, etc, are considered. In such a scenario, asking states to forego about 0.7-1% of the GSDP—even as they are demanding a 1% relaxation in FRBM—can have little justification, given that revenues from other sources have or will dry up in the coming months. There are hardly any sales of automobiles, and one can expect the property-related taxes and stamp duties to be depressed for a long time.

The Centre is right in wanting to curb crowding. But, given most states are ready to extend the lockdown, certain relaxations can be extended, accompanied, of course, with strict enforcement of social distancing. Even as the Centre allows opening up of standalone shops, it needs to understand that if social distancing is being enforced for essential services, it can be enforced for liquor shops too. Also, why can't liquor be home delivered, as Punjab is proposing, once the age of the person ordering it is confirmed?

States, for their part, need to seriously relook their revenue strategies. An analysis of states' budgets shows that states' collections from own-tax and own-non-tax revenues have been decreasing for the past two decades. In 2000-05, states' average own revenue accounted for 62% of the total receipts, in FY20, this had fallen to 52%. States increased reliance on central transfers, and alcohol and fuel duties, has been due to their inability to collect revenues from other sources. This trend continues even for local governments, which come to rely more on state transfers to run the administration. Based on a Janaagraha analysis, *Economic Survey 2017*, had highlighted how Bengaluru and Jaipur, for instance, were collecting only 5-15% of the property tax estimated. So, while OECD countries have an average property tax collection of around 1.9% of GDP, India's is 0.2%. States need to rope in technology to map land development better to realise larger revenue collections. Else, they can hardly expect to overcome their liquor dependence.

Lacking LEADERSHIP

Trump, Bolsonaro and other such leaders need to take their accountability in the midst of the pandemic seriously

A**FTER SUGGESTING THAT** Covid-19 patients be injected with disinfectants as a cure—whether this was delivered with sarcasm or not is a task for better body language readers than press folks—US president Donald Trump has tweeted that he will not be attending any briefing on his administration's handling of the pandemic. The American media has been hostile towards him, for something as trivial as ratings and viewership, Trump says. So, the Oval Office's response to demands of accountability is a big, fat sulk. The Trump administration and, indeed, the Republican Party have upped their anti-China rhetoric, against a backdrop of the federal government failing to recognise the crisis early on and take steps such as wide testing and containment. And, in the midst of a raging pandemic, the Trump administration suspended funding to the WHO. The president has claimed that he was being sarcastic when he talked about injecting disinfectant and exposure to high-dose UV rays as ways to fight Covid-19. But, it seems the sarcasm was not just lost on the media present, but very nearly every thinking person in the room.

That Reckitt Benckiser, the manufacturer of Dettol and Lysol, had to put out a statement warning against the products being injected into a human body shows how much damage a Trump "being sarcastic"—while people have died in the tens of thousands in the US because of Covid-19—can cause. And, it is not just Trump. Brazil's Jair Bolsonaro believes the pandemic is a hoax created by the media. As nations—including low- and middle-income countries—across the world are going into lockdown, Bolsonaro was busy attending an anti-lockdown rally. These leaders need a reality check before they condemn more lives to the pandemic with their callousness.

ONLINE EDUCATION

JUST SEVEN OF INDIA'S 993 UNIVERSITIES HAVE ONLINE-EDUCATION LICENCES; MEANWHILE, AS THE LOCKDOWN SHOWS, FOREIGN VARSITIES MAKE HAY OF THE INDIAN DEMAND FOR ONLINE COURSES

Ending an apartheid

MANISH SABHARWAL & SHANTANU ROOJ

Sabharwal is with Teamlease Services and Rooj is with Schoolguru Eduserve. *Views are personal*

T**HE ILBERT BILL OF** 1884—a proposed law that would make English and Indian judges equal in the British Raj—was withdrawn after an uproar from Englishmen that benefited from the apartheid. India's current online university regulations create a similar apartheid by allowing only seven of our 993 universities to launch online courses; during the Covid-19 lockdown overseas universities have signed up 100,000+ students in India for online courses. The lockdown exposes the folly and unfairness of the UGC 2018 online regulations; we must immediately allow all accredited universities to launch online courses with full flexibility in design, delivery, and assessment. If we don't act quickly, Indian online university education will become like Wimbledon; it is played in England, but no British ever wins.

India's universities have delivered quantity, but uneven quality and employability. We have roughly 38 million university students; of these, 34 million are on campuses, 4 million are in traditional distance education, and only 25,000 students have opted for online education. UGC banned online education in 2015, but notified new licensing guidelines in 2018. Since then, UGC has only licensed seven universities for online courses. This raises three important questions. Why aren't all accredited universities automatically allowed to launch online courses when India can't stop overseas universities from signing students in India? Why distinguish between licensing for paper-based distance learning and online learning? Why not give universities flexibility in curriculum, design, delivery, and assessment of online courses rather than force them to be the equivalent of an ATM machine with a teller physically handing out cash?

Covid-19 seems more dangerous for patients with pre-existing conditions; the global higher education system has ten multi-decade, pre-existing challenges. The first is the crisis of affordability; many US college classrooms now cost $200 per hour. Second, there is a crisis of education returns; estimates before Covid-19 suggested that 50% of the $1.5 trillion student debt (₹1,14,75,150 crore) was slated to default. The third is a broken promise of employability; college graduates include 60% of Korean taxi drivers, 31% of US retail checkout clerks in the US, and 15% of Indian high-end security guards. The fourth is the differential needs of adult learners; they need anytime, anywhere, and affordable learning that they can do concurrently with their jobs. The fifth is a massive shortage of quality faculty. Sixth, there is a problem of diversity; the typical university student is no longer an 18-year old privileged urban male studying full-time; today's students are just as likely to be female, poor, older, from rural areas, or studying part-time. These education outsiders need more flexible admission criteria, rolling admissions, continuous assessments, on-demand, on-the-go, always-on, qualification modularity and multimodal delivery. The seventh challenge is a change in the definition of employability; knowing is useless in a world where Google knows everything; the most important 21st-century skill is learning how to learn. A new world of work where employment shifting from a lifetime contract to a taxicab relationship needs a new balance between repair, prepare and upgrade is the eighth. The ninth is a blurring of the line between corporate training and higher education; research suggests that employed-learners are expected to cross traditional learners within five years. The tenth is the attractive self-financing, employability and signalling value of degree linked apprenticeships. Online higher education not only addresses these ten challenges, but the lockdown has brought forward its destiny from 2030 to 2020 in one month.

> We must immediately allow all accredited universities to launch online courses with full flexibility in design, delivery, and assessment

Many Indian universities don't balance cost, quality, scale, and employability because regulations stifle innovation. The UGC Online Regulations 2018 needs modification in five ways; a) Remove clauses 4(1)(i), 4(1)(ii), 4(1) (iii), and 6 that restrict licensing, and prescribe a discretionary approval process and replace them with something that authorises all accredited universities to design, develop and deliver their own online programmes. b) Modify clause 4 (2) to allow innovation, flexibility, and relevance in an online curriculum that allows universities to work closely with industries on their list of courses, and ensure the integrity of purpose. c) Rewrite clause 7(2)(i) appropriately to allow universities to work with the best technology platforms without holding them hostage to a state sponsored system. d) Modify clause 7(3)(viii) to allow rolling admissions, and, e) Replace clause 7(2)(vi) with clause 4(4)(iv) to allow technology-driven, on-demand, and credible online assessments.

In 1948 Sarvepalli Radhakrishan, Chairman of India's University Education Commission, said: "When we think we know, we cease to learn". Dr Radhakrishnan would surely be disappointed by any regulations discriminating against Indian universities in favour of foreign ones. But, he would have been even more pained by regulatory unwillingness to learn, experiment and innovate. The sabotage of the Ilbert Bill in 1884 accelerated the 1885 creation of the Indian National Congress that led to Independence. The Covid crisis of 2020 should lead to *Poorna Swaraj* for all Indian universities to go online.

A new White Revolution

Covid-19 could benefit the dairy industry as consumers could shift from meat-based to dairy-based protein. The govt may consider reducing GST on ghee and milk fat from 12% to 5%

DILIP RATH

Chairman, National Dairy Development Board
Views are personal

WHEN THE ENTIRE nation continues to be under lockdown due to the Covid-19 pandemic, our dairy industry has proved to be more resilient than many other sectors in terms of the extent of supply chain disruptions. Millions of our animal-owning households, the majority being smallholders, particularly those connected to producer-centric institutions continued to milk their cows and buffaloes, and sell the surplus to the village milk collection centres. Milk was then pooled, cooled, and transported to processing centres where it was pasteurised, packaged and dispatched to thousands of marketing outlets, finally finding its way to millions of homes.

Of course, during the initial phases of the lockdown restrictions, both milk procurement and sales of milk were impacted in several parts of the country due to supply chain disruptions. Information collected by National Dairy Development Board (NDDB) from the dairy cooperatives (*see graphic*) shows a decline in daily liquid milk sales by dairy cooperatives by about 15% in the Covid-19 lockdown period between March 1-15 and April 8-14, and a drop in the proportion of sales to procurement by about 8.8% during the same period. The liquid milk sales are showing signs of steady recovery, thanks to the policy and proactive support of central and state governments, and the measures taken by producer-centric organisations to address supply chain challenges.

Disruption seems to have impacted the unorganised private players significantly as they have a higher share of products in their sales portfolio compared to the dairy cooperatives. It was, therefore, quite logical that the areas/milk sheds where private players had a stronger presence, milk got diverted to the dairy cooperatives as a result of which, producer price also got subdued due to the imbalance between demand and supply

As news started trickling about supply chain disruptions, governments, both central, and some states, swung into action to ameliorate the situation. These interventions included making available low-cost working capital to producer-owned institutions to convert milk into skimmed milk powder (SMP) and milk fat, direct procurement of surplus milk for conversion and direct distribution to needy people.

To enhance the marketing of milk and milk products, many dairy organisations, initiated home delivery of milk and milk products through mobile carts, vans, e-commerce, etc. All these measures helped stabilise milk sales, opening up opportunities to use e-commerce. Many smart and progressive dairy farmers converted their surplus milk into *khoa, paneer, ghee*, etc, and sold it to the neighbourhood markets through informal channels. All these measures helped sustain dairy industry.

Covid-19 pandemic has thrown up the real possibility for our dairy industry to benefit as large sections of consumers may shift from meat-based to dairy-based protein. Covid-19 has made people more aware of the need to adopt a healthy diet.

In contrast to sectors like construction, manufacturing, hotel, travel & tourism, etc, which were severely hit by the lockdown restrictions, dairy industry seems to have done remarkably well. Globally, Covid-19 impact has pushed many large commercial dairy farms even in the most dairy developed nations to the brink of closure, prompting governments to announce bailouts. Recently, Trump administration announced a bailout package of $15.5 billion for the US dairy industry. The US is contemplating to purchase milk, convert it into commodities which could be used as international humanitarian aid.

In the present context, it makes smart business sense for our dairy industry to increase milk procurement for making SMP to meet the growing demand for milk and milk products. Milk procurement, during Covid-19 lockdown, despite market shocks indicates that dairies have started building up commodity stocks to meet lean season requirements. The stock of SMP as on April 1 was higher by about 25,000 MT as compared to March 1, and the estimated daily average SMP production has increased from 790 MT during March 1-15 to more than 1,000 MT during April 8-14.

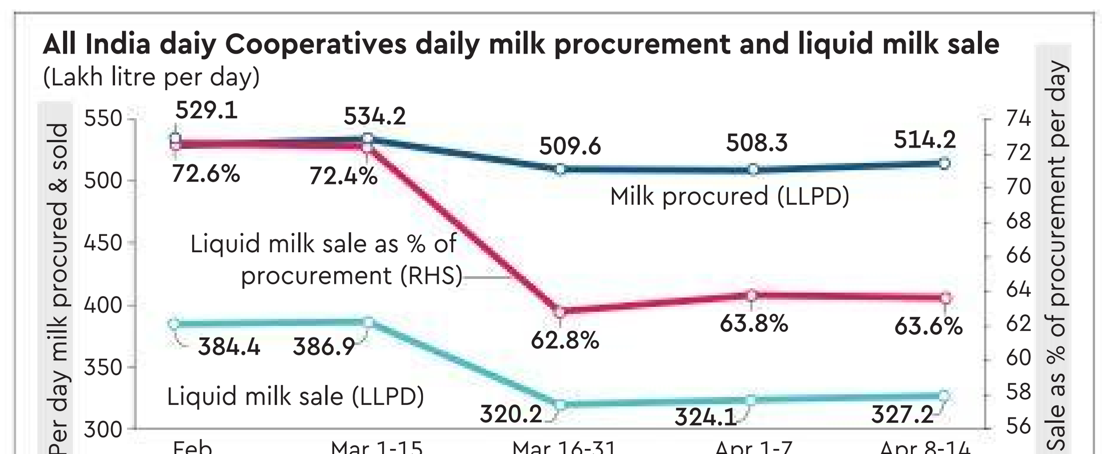
India may consider reducing GST on ghee and milk fat, from 12% to 5% to bring it at par with the GST rate for SMP. This has been a long-standing demand of the dairy industry and will ultimately benefit milk producers, increase rural incomes, spur demand and hasten economic recovery.

During these difficult times of the dairy farmers, our cows and buffaloes must be taken care of, as any compromise on their feeding and health care would impact reproductive efficiency and productivity. Both governments and dairy cooperatives should provide these inputs and services to the farmers on subsidised rates or deferred payments basis. The country cannot afford to go through another phase of supply disruption resulting in pressures on availability and prices of milk.

Covid-19 crisis has witnessed reverse migration of labour force from urban to rural areas leading to social disruptions. On the positive side, we can look at this as an opportunity; these workers can be encouraged and incentivised to join their family agriculture/dairy farms.

All India daiy Cooperatives daily milk procurement and liquid milk sale

(Lakh litre per day)



LETTERS TO THE EDITOR

Treat Covid-19 patients with dignity

After lockdown came in to force to contain the spread of coronavirus causing Covid-19, we have been encountering some viruses of similar virulence-social stigma and discrimination-against Covid-19 afflicted patients and healthcare professionals to our dismay. A video portraying the personal protective equipment-clad person tossing water bottles and food packets outside a locked gate, and dozens of people stretching out their hands through the iron grills for these essentials at a quarantine facility in Agra is shocking. It had not only exposed the indignities meted out to Covid-19 affected people but also clearly underlined the significance of training to healthcare workers with an emphasis on treating Covid-19 affected with empathy and compassion. Such undesirable and inhumane acts could deter people from self-reporting their symptoms or cooperating with officials involved in contact tracing efforts. It should be noted here that human dignity is a constitutional necessity, and the assurance of dignity is central to the right to life, an important fundamental right guaranteed under our Constitution.

— M Jeyaram, Sholavandan

Students abroad

It is a matter of concern that Indian students studying and living in the US, the UK, Canada and some other parts of Europe are facing a tough time as they cannot pay their rent due to the pandemic. Some say that they have lost part-time jobs due to the lockdown, and are unable to pay monthly rent, while others have moved out to live with relatives. They have received their monthly rental bill. Now they are forced to seek financial aid from universities to tide over the crisis. But a question arises, why they should pay for an empty flat which they are not using now? Tenants should not charge them monthly rent or should allow them extra time to pay the rent. However, if it is needed, the Indian government should help these students during the crisis.

— Noor Ahmad, Hyderabad

●Write to us at feletters@expressindia.com

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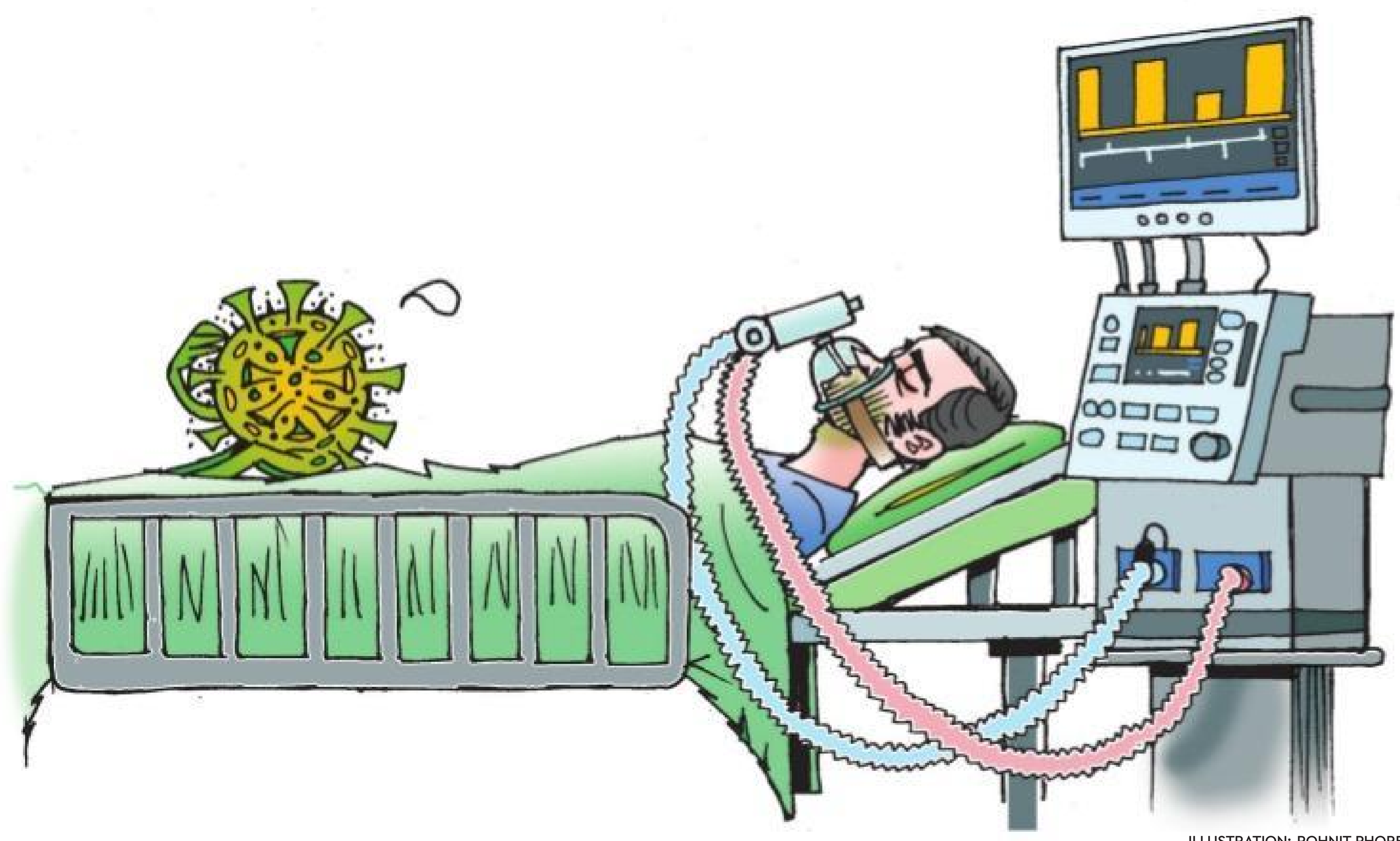


ILLUSTRATION: ROHNIT PHORE

AJAI CHOWDHRY

Co-founder, HCL, & Chairman, Electronics Sector Skills Council of India. *Views are personal*

BATTLING COVID 19

Breathing easy on ventilator quality

A good ventilator must be a high-precision product, a combination of top-class engineering efforts, optimum manufacturing capability, and robust financial backing

IF ONE WERE to name the one hallmark feature of the 21st century, I'd venture to say it is innovation. Our modernity enables us, more than ever, to make, for instance, better predictions. Why? The fundamental reason is technological advancement, which has now enabled us not only to generate humongous volumes of data but also to collate this and make sense of it.

This assertion forces us to address the elephant in the room: If we are capable of making data-based predictions, how did we miss the arrival of Covid-19? The answer is simple. The viral outbreak is a natural disaster. While we cannot predict when or where lightening will strike, we do have sufficient technological proficiency not only to dowse the fire should it arise but also to mitigate damages by natural disasters. The Covid-19 crisis is no exception.

It is a fact that we are currently going through the gravest crisis of our generation, perhaps even in human history. Veritably the century's black swan event, the pandemic has caused hospitals and medical centres to become a battlefield, with healthcare professionals risking their lives on the front lines to save lives. Apart from the immense human toll, much virtual ink has been spilt on documenting the damage the pandemic caused to the economic scheme of things. Trade and commerce have ground to a halt. The financial lifeline, not to put too fine a point on it, is in the throes of the viral outbreak.

Against this backdrop, it only stands to reason that nothing but the best of humanity will help us overcome this crisis. Putting the best foot forward is how we can move towards recovery and victory—our tomorrow depends on the steps that we take today. Professor Yuval Noah Harari, noted Israeli historian and author, echoes my thoughts in his article 'The world after coronavirus':

"We must act quickly and decisively. We should also take into account the long-term consequences of our actions. When choosing between alternatives, we should ask ourselves not only how to overcome the immediate threat, but also what kind of world we will inhabit once the storm passes."

So, what are we to do? The first step towards solving a problem is identifying it. The critical challenge, obviously, is developing a vaccine against the disease. With researchers and scientists already engaged in this, success is not a matter of possibility, but merely one of time. However, until then, we are faced with more immediate challenges, which it is imperative we resolve as soon as possible. Let us take a look at one such critical problem.

The crisis

When Covid-19 broke out of China, it caught the world off-guard. Its impact has sent nations into lockdown, while hospitals and medical centres teem with overwhelming activity. As front line healthcare professionals, supporting staff and public servants work tirelessly to tend to infected masses, the world was woken up to a realisation: Most of us were not prepared to deal with a health crisis of such catastrophic levels. This realisation was triggered by shortage of an equipment that is an essential tool in our collective battle against the deadly virus—the ventilator.

Boosting the supply of ventilators across the country and the globe is essential to setting the world on the path to resuscitation. Let us first understand why.

Covid-19 poses the most risk to individuals with respiratory challenges since the virus targets the lungs. In the worst-case scenario, the virus can lead an individual to develop acute respiratory distress syndrome (ARDS). Most ARDS patients need the help of a machine to breathe—this is where ventilators come into the picture. A mechanical ventilator pushes air into the lungs and forces some of the fluid out of the air sacs. Another key step in caring for ARDS patients is supplying them with supplemental oxygen. Thus, doctors also leverage ventilators to optimise patients' blood oxygen levels.

However, things get trickier when one considers that there are more than one type of ventilator on offer. This begs some questions: Which of these is the right option to help us fight the pandemic? Are any of the incumbent models suitable for dealing with the present unprecedented healthcare crisis? If not, how can we create a machine that minimises risk of the infection spreading to healthcare professionals, while maximising the chances of survival of the ventilated patient? Is it possible to manufacture these at a large enough scale, given the paucity of time and limited availability of components?

Let us explore these questions in detail.

Finding the perfect ventilator

A ventilator, at its most basic, is any instrument penetrating via the mouth (endotracheal tube), nose, or skin (tracheostomy tube through a stoma, a surgically-created hole in the windpipe) to serve as an artificial airway. In the absence of such machines, doctors may have to use a manual resuscitator called a bag valve mask, or an Ambu bag, which forces air into the lungs of patients who are either not breathing or not breathing adequately. Obviously, this cannot be used to help critical Covid-19 patients as it is not suitable for continuous use and needs a highly-trained operator to make use of it.

Then, there are non-invasive, low-cost ventilators. But, these too are not suitable for treating Covid-19 patients as most are not clinician-friendly, and cannot be operated by volunteers that comprise a major share of the frontline Covid-19 healthcare taskforce. Most clinicians prefer invasive mechanical ventilation (via an endotracheal tube or tracheostomy, with breaths delivered by a mechanical ventilator) for patients with moderate or severe ARDS.

Further, ventilating Covid-19 patients, or those of infectious diseases poses a health hazard to healthcare workers tending to them as aerosolised pathogens are likely to be expelled from the ventilation tube at a high velocity—almost none of the currently available designs are equipped to deal with this. A good ventilator design must keep the health of caregivers as a primary consideration.

The ideal strategy to improve survival in Covid-19 patients while preventing lung injury is invasive mechanical ventilation with low tidal volumes and high levels of positive end-expiratory pressure. This primarily aims to provide oxygen, remove carbon dioxide, decrease the work of breathing, and reverse life-threatening conditions such as hypoxemia, or insufficient oxygenation of arterial blood.

Hence, as much as low ventilator inventory is a grave concern due to its shortage being directly proportional to the mortality rate, the absence of a suitable ventilator design is equally worthy of consideration. And, given the aforementioned factors, we can generate a fair idea of what an ideal ventilator looks like, and of what it can do. The good news? We may have already succeeded in developing such a machine.

The best bet

As Covid-19 crisis is a 21st-century problem, our best bet at overcoming it is a truly modern solution. But, what comprises a modern solution? As I mentioned in the beginning, it is innovation. Of course, this alone will not suffice. We need an innovation that is reliable, smart, and safe.

In the wake of the pandemic, most countries have stopped exports of medical equipment, and all global ventilators have been snapped up. Even components for ventilators are in short supply. In India, the cottage industry has inevitably been stirred into action, with every other player claiming to have a ventilator that can meet present needs. In their understandable desperation, driven by the grief of the human tragedy underway, local authorities, government bodies, and corporations are pumping capital into procuring sub-standard products. This, instead of advancing our struggle, is forcing us to take a step back. How, then, do we hit the mark amidst all this noise?

We need to move cautiously and home in on the answer by a calculated process of elimination. Although we are engaged in a race against time, jumping the gun is not an option: we need to make an informed decision by considering valid factors so that we can identify and pick a solution that represents the best of not only the modern industry, but also the modern age.

We cannot afford to treat our 'suitable ventilator' as a mere electronic item—it will be a high-precision product of the combination of top-class engineering efforts, optimum manufacturing capability, and robust financial backing. Hence, while scrutinising a ventilator, we need to ask: Who has designed it? Who has manufactured it? Will the product stand the test of time? Can the company maintain the product over the next 3-5 years—not only until our battle with Covid-19 is won but also beyond, for future emergencies?

Hence, considering the lineage of the company creating the new-age ventilator is crucial. The good news is that India, the third-largest startup ecosystem, is well-equipped to breed such innovators. In fact, some serious organisations—such as an IIT Kanpur-based enterprise—are already involved in achieving this objective alongside domain-leading industry players. I am optimistic that we will soon have the right ventilator supplying the breath of life to the world, which is currently waiting with bated breath for the pandemic to subside. Yes, the pandemic will subside—the leading intellects of the modern world will ensure that it does.

A less direct approach

PRABHASH RANJAN & JAY MANOJ SANKLECHA

Ranjan teaches law at South Asian University & Sanklecha is a lawyer with specialisation in international law. *Views are personal*

Amended FDI regulation is problematic under the WTO law. India should adopt a more facially neutral regulation

INDIA RECENTLY AMENDED its FDI policy by subjecting investments from countries with which it shares a land border to screening under the approval route and making them ineligible under the automatic route. The policy doesn't name China, but it is clear that this aims to prevent opportunistic Chinese investors from acquiring, on the cheap, Indian companies weakened by the Covid crisis.

However, China has objected to these changes, arguing that it violates the WTO principle of non-discrimination. While economists debate the economic merit of these changes, the crucial question, from a strictly legal perspective is whether China's objections, which can be considered under both international trade and investment laws, hold any water.

Although none of the WTO agreements directly seek to regulate it, some contain provisions that may have implications for foreign investment. One such agreement is the General Agreement on Trade in Services (GATS). GATS allows trade in services based on a positive list approach, i.e., WTO members list the sectors in which they wish to make commitments for trade in services. One of the modes through which trade in services takes place is 'through a commercial presence' of the service supplier in the territory of another member.

Broadly, the disciplines under GATS can be classified into general and specific. While the former apply to all members and all service sectors, the latter apply only to sectors inscribed in members' schedule of commitments. The scope of the specific disciplines varies widely, with each member depending on the extent and limitation of commitments made.

One of the general disciplines is the most favoured nation (MFN) treatment, which requires members to ensure all other members equality of opportunity to supply like services in sectors where foreign competition is allowed, i.e., a WTO member cannot adopt a regulation affecting trade in services in a manner that affords less favourable treatment to service suppliers of a particular member than that accorded to those of any other country in respect of similar services. However, it doesn't require "identity of treatment" amongst different service suppliers. It only requires that the treatment provided by a country does not prejudicially alter the "conditions of competition" between different service suppliers.

India might justify the move under the general exceptions or essential security interest provisions of GATS, it will be difficult to explain why the regulation has been applied for select countries

Notably, in sectors like audiovisual, banking services, etc, the MFN obligation is subject to a number of exceptions specifically made by India in Annex II. Outside these sectors, China can arguably claim a violation of the MFN obligation, contending that subjecting service suppliers from some countries to a different procedure competitively disadvantages their service suppliers.

While India might seek to justify the regulation under the general exceptions or essential security interest provisions of GATS, it may be difficult to explain why the regulation has been applied for select countries, given that threat of acquisition of domestic industries is the same from all foreign countries.

Under international investment law, India and China signed a bilateral investment treaty in 2007; India terminated this in October 2018. The BIT has a sunset clause that extends the application to 15 years from the date of termination, but the treaty's scope of application is confined to investments already "made and accepted as such" in accordance with applicable law. Thus, the amended regulation does not violate the rights of the existing Chinese investors in India. Moreover, most Indian BITs do not provide for pre-entry protection and thus do not restrict India's sovereign right. However, the possibility of Chinese investors investing in India through other countries under a different ownership structure and seeking protection under other Indian BITs cannot be ruled out.

Unlike international practice, by selectively applying the regulation to certain countries and not to others, India makes itself vulnerable to Chinese claims in respect of certain service sectors under the GATS. In such a scenario it may be advisable for the Indian government to adopt a more facially neutral regulation that does not de jure discriminate on the basis of origin of the investment and applies equally to all countries.

Saving the rural economy

In the long term, the govt will have to deepen its procurement operations, expanding from the wheat-paddy complex

ARINDAM BANERJEE

Associate Professor, Ambedkar University, Delhi. *Views are personal*

ALREADY IN THE grip of an economic slowdown, India now faces an escalating challenge of handling the economic consequences of the Covid-19 pandemic. With high unemployment rates, stagnating incomes, and a consequent demand crunch, one can expect an intensification of the maladies of the masses. The total lockdown has further added to the collateral damage caused to economic structures, which may take a long time to be mitigated.

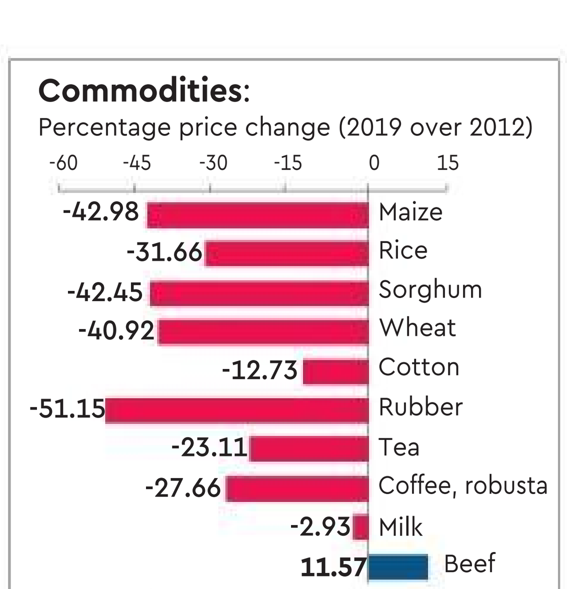
Much has been written on the urban economy coming to a grinding halt due to urban centres emerging as infection hotspots, and on the migrant workers' crisis. The latter has exposed the endemic inequality and injustice of our economic structures, where millions of workers in urban centres do not consider the cities their homes. With poor living conditions and the lockdown drying up income sources, there is a desperate attempt to reach their villages.

This, then, draws attention to the rural economy where these millions of migrant workers hope to seek solace during the crisis. The impact of the lockdown on the rural economy is more than what meets the eye. Agricultural activities like harvesting and livestock production are exempt from the lockdown. However, two types of challenges have emerged in the rural economy.

The first relates to the mobilisation of labour and equipment for harvesting the standing rabi crops—primarily wheat, but also mustard, and other vegetables. While in Punjab, much of the rabi wheat was harvested before the lockdown, in Uttar Pradesh and Madhya Pradesh, wheat harvesting has been delayed. The lockdown has disrupted the usual labour supply for such activities, flowing in from states like Bihar and Jharkhand. Also, in many places, combine harvesters from Punjab have not arrived as usual; wherever they have arrived, drivers have left them to return to their villages in Punjab. In all likelihood, these hurdles will be overcome by farmers using local non-agricultural labour, who are also currently without employment, albeit with reduced efficiency, a longer period of harvest, and some crop losses.

The second, more important problem is disruption of supply chains. The initial weeks of the lockdown witnessed reduced and arbitrary functioning of *mandis*, preventing farmers from getting the right price for their crops. Delayed government procurement has also added to farmers' anxieties. While those who can afford storage facilities are avoiding the lower prices, apprehension prevails that when the lockdown ends, possible supply gluts may lower prices further. And, with supply of agricultural inputs having taken a hit, the sowing of buffer crops between rabi and kharif seasons for for supplementary incomes, too, is likely to be disrupted.

Supply chains for milk have functioned relatively better across rural India, though with restaurants and canteens being closed, the demand for milk has fallen. This is consequential as sale of milk ensures daily circulation of currency in the rural economy; a squeeze in this would adversely impact other commodities and services. Given that stagnating agricultural income was already a major causes of the economic slowdown, these short-term impacts of the lockdown are likely to deepen the infirmities of the Indian economy.



The staggered restoration of economic activity post-lockdown is expected to take most of 2020. This would have two major implications for the rural economy in the medium/long term. First, to the extent that migrant workers have returned to villages, they would exert a downward pressure on rural wages. Their return to their usual rural and urban destinations will be a slow process, not so much due to their unwillingness as the staggered revival of labour demand. For example, lingering fear of infection among the populace may result in restaurants and theatres witnessing dampened demand even after they reopen. Other economic activities, too, will take much longer to reach their pre-Covid-19 levels.

This does not bode well in a situation where real rural wages have been stagnant for several years now. Between 2014 and 2018, the real wage for agricultural labourers have grown at a meagre 0.87% annually; for rural construction workers, these declined by 0.02% per annum (Himanshu, 2019: India's Farm Crisis, *The India Forum*). A renewed lowering of the 'reservation wage' under the current circumstances will further shrink the demand for mass consumption goods.

The second implication is grander. Global prices of major agricultural commodities, including those that India exports, have been on a decline since 2012 (*see graphic*). The pandemic has triggered uncertainties about global trade arrangements; these will last even longer than the domestic malaise since restoration of global supply chains would require the revival of import demand in a large number of export destinations. In fact, the pandemic has hit the foundation of the globalised economy that has evolved over the last four decades. With reduced international trade volumes, agricultural commodity prices are expected to slip into a faster downward slide. This worsens the already dim export outlook for agriculture, and amplifies the challenges for recovery of the rural economy.

Needless to say, the government needs to hasten the implementation of the exit from the lockdown. Immediate measures already adopted by the government—cash transfers to farmers and other vulnerable sections, provision of subsidised food—have to be scaled up, and extended for a longer duration. A rapid expansion of rural employment through MGNREGA will also aid the mitigation process.

In the longer term, the government will have to deepen its procurement operations, expanding them from the current rice-wheat complex. This provides an opportunity to ensure nutrition sufficiency for larger sections of the population by provisioning micro-nutrients through the PDS in the form of fruits and vegetables. While this implies greater government intervention in an otherwise 'private sphere', it is the need of the hour, given that substantial loss of livelihoods will lead to shrinking of private economic activities in the medium term. And, when one recognises that sustained nutritional fortification of the larger population is an insurance against casualties and costs arising from future epidemics, this will turn out to be an investment worth making—an opportunity within the current crisis!

International

WEDNESDAY, APRIL 29, 2020

NOVEL PROBLEM

Tedros Adhanom Ghebreyesus, WHO chief

Children may be at relatively low risk from severe disease and death from Covid-19 — the respiratory illness caused by the novel coronavirus — but can be at high risk from other diseases that can be prevented with vaccines

CORONAVIRUS CRISIS

‘Over 200,000 H-1B workers may lose legal status by June’

Immigration policy analyst says as many as 250,000 guest workers seeking a green card in US are at risk of being forced to return home

BLOOMBERG
New York, April 28

MANASI VASAVADA HAS less than three weeks left before she loses her legal right to be in the country. The dental practice in Passaic County, New Jersey, where Vasavada, 31, has worked for almost two years closed its doors in mid-March due to Covid-19. She has been on an unpaid leave of absence ever since.

Vasavada is in the country on an H-1B visa, a temporary visa program designed for people with specialized skills. H-1B recipients can only remain in the country legally for 60 days without being paid. Her husband Nandan Buch, also a dentist, is in the country on an H-1B visa that expires in June. They have been watching the days tick by with growing fear.

There may soon come a point when the couple can't stay and can't go: India, their home country, has closed its borders indefinitely. They also have a combined $520,000 in student loans from the advanced dental degrees they completed at US universities, which would be nearly impossible to pay back on the salaries they would earn in India. The stress has caused Buch, also 31, to start losing his hair. Neither of them is sleeping well. “Everything is really confusing and dark right now,” said Vasavada. “We don't know where we will end up.”

As many as 250,000 guest workers seeking a green card in the US—about 200,000 of them on H-1B visas—could lose their legal status by the end of June, according to Jeremy Neufeld, an immigration policy analyst with the Washington DC-based think tank Niskanen Center. Thousands more who are not seeking resident status may also be forced to return home, he said. About three-quarters of H-1B visas go to people working in the technology industry, though the exact levels vary year by year.

Tens of millions of Americans have lost their jobs in the last two months, but workers on visas are vulnerable in ways native-born workers aren't. H-1B visas, for instance, are tied to a specific location and employer who commits to paying the recipient a minimum salary. Furloughing recipients, reducing their wages, and in some cases allowing them to work from home violates visa requirements. H-1B workers who are terminated have 60-days to find another job, transfer to a different visa or leave the country.

Even if they don't lose their jobs, workers can find themselves in a dilemma if they can't get their visas renewed during this period of disruption.

The visa crisis is causing “a catastrophe at a human level and an economic level,” said Doug Rand, who worked on technology and immigration policy in the Obama administration.

MAPPING THE VIRUS

Cases top 3 million | **Deaths exceed 212,000**

- Testing shortages undermine drive to restart US economy
- Virus forces China to rethink Xi's annual political pageant
- Back to school brings a bleak new normal for China's students
- Business of survival fuels race for new skills to stay afloat
- FDA's Hahn optimistic about plasma treatment

China's top scientists said the virus won't be eradicated, joining a growing consensus that the pathogen will probably return in waves

Britain is on track to record one of the worst coronavirus death tolls in Europe, after data published on Tuesday showed nationwide fatalities topped 24,000 nine days ago

Ford intends to restart initial production at most of its main European vehicle and engine plants beginning May 4, the company said. Manufacturing will resume in a phased approach, and employees will receive personal-care kits including masks and thermometers

US exports and imports of goods slumped in March to the lowest level in almost three years as the coronavirus pandemic shut down economies across the world

The softening of the rule is part of the latest plan unveiled by the European Commission, the EU's executive arm, that also would allow banks to save on capital when they invest in software and when they fund infrastructure and small- and medium-sized businesses

New York City reported a decline in the number of people admitted to hospitals for the new coronavirus, to 112 from 122 as of April 25

HSBC profit halves in Q1; job cuts put on hold

AGENICES
Hong Kong/London, April 28

HSBC ON TUESDAY warned of more earnings pain ahead after first-quarter profit nearly halved as it set aside a hefty $3 billion in bad loan provisions due to the coronavirus pandemic.

The bank has put on hold plans to cut 35,000 jobs. The global bank reportedly doesn't want its employees to struggle finding work elsewhere during the ongoing coronavirus crisis.

Europe's biggest bank by assets said profit before tax came in at $3.21 billion for January-March, down from $6.21 billion a year ago and below an average analyst forecast of $3.67 billion compiled by the bank.

HSBC said last week it is pressing ahead with plans outlined in February to shift capital from underperforming businesses, reduce costs and strip out layers of management. HSBC's new chief executive officer Noel Quinn faces additional hurdles as plans to cut costs through layoffs — part of a wider restructuring unveiled in February — have been put on hold due to the pandemic.

The bank increased its expected credit impairment charges for January-March by $2.4 billion to $3 billion - its highest quarterly level in nine years - and said total provisions for the year could range from $7 billion to $11 billion.

“No one really knows how the coronavirus will develop over the next three to six months and what scenarios will play out. It's most important for us to be prepared for all scenarios - the optimistic and the less optimistic,” Quinn told Reuters.

“Only time will tell where in that range we will fall.”

Profit before tax for the quarter tumbled 48% to $3.2 billion, below an average analyst forecast of $3.7 billion compiled by the bank. Revenue dropped 5% to $13.7 billion. The results were also hit by the slide in oil prices as well as “a significant charge related to a corporate exposure in Singapore”, it said.

No one really knows how the coronavirus will develop over the next three to six months and what scenarios will play out. It's most important for us to be prepared for all scenarios

— NOEL QUINN, HSBC CEO

Japan would 'scrap' Olympic Games if not held next year

REUTERS
Tokyo, April 28

TOKYO 2020 PRESIDENT Yoshiro Mori said that the Olympic Games, already postponed to 2021, would be “scrapped” if they could not take place then, according to an interview published on Tuesday.

The International Olympic Committee and the Japanese government last month postponed the Games until July 2021 because of the impact of the coronavirus outbreak. With the epidemic's worldwide infection rate climbing and experts suggesting a vaccine is still a long way off, questions are being asked about whether the huge setpiece event might need to be delayed further.

“No. In that case, the Olympics will be scrapped,” Mori said in the interview with Japanese sports daily Nikkan Sports, when asked if the Games could be postponed again until 2022. However the former prime minister remained confident the they would go ahead in 2021.

“We have delayed the Olympics until next summer after we will have won the battle,” he was quoted as saying.

“The Olympics would be much more valuable than any Olympics in the past if we could go ahead with it after winning this battle. We have to believe this otherwise our hard work and efforts will not be rewarded.”

PepsiCo sales beat estimates, but company warns of virus pain ahead

REUTERS
April 28

PEPSICO WARNED ON Tuesday organic revenue and operating profits would suffer in the second quarter as major buyers of its sodas, such as restaurants, theaters and stadiums, were forced to shut down to help control the spread of the coronavirus.

The group beat first quarter revenue estimates helped by a late spike in demand from consumers stocking up on the company's chips, snacks and cereals to make it through lockdowns, but said it expected second-quarter organic sales to decline at a low single digit rate.

PepsiCo's net revenue rose 7.7% to $13.9 billion in the quarter ended March 21, beating analysts' estimates of $13.21 billion, also helped by a massive advertising campaign during the Super Bowl.

However, the company ditched its full year forecast over uncertainty related to the pandemic.

Excluding one-time items, Pepsico earned $1.07 per share, beating estimates of $1.03, according to Refinitiv IBES data.

The warning mirrored that of rival Coca-Cola Co's, last week, which said volumes had fallen 25% globally since the beginning of April.

Still, the snack and beverage maker said it expected for business at grocery stores to make up for a large chunk of those lost sales, with shoppers expected to keep stockpiling food and drinks due to uncertainty how long stay-at-home orders would last.

Analysts said Pepsi's more diversified snacks business, which includes Lay's and Doritos, makes it better placed to benefit from sales at retail outlets than rival Coca-Cola.

Pfizer Q1 net hit by fall in off-patent drug sales

PFIZER REPORTED A 12.4% drop in first-quarter profit on Tuesday, partly hurt by a drop in sales its off-patent pain treatment Lyrica.

Net income attributable to shareholders fell to $3.40 billion, or 61 cents per share, in the quarter, from $3.88 billion, or 68 cents per share, a year earlier. —REUTERS

Quick View

Nokia Q1 revenue to get 5G boost

NOKIA IS EXPECTED to report a rise in revenue for the first three months of the year, backed by higher sales of 5G equipment, before feeling the effects of supply chain disruption in the current quarter. Nokia, which will publish earnings on April 30, is expected to report revenue of 5.1 billion euros ($5.55 billion), up 1.25% from a year earlier, according to Refinitiv data based on eight analysts.

Xerox pulls 2020 profit, revenue forecasts

XEROX PULLED ITS 2020 revenue and profit forecasts on Tuesday, citing economic uncertainties from the coronavirus outbreak, which had resulted in the cancellation of its $35 billion takeover campaign for HP. The company said lockdowns have restricted its ability to sell, install and service its equipment.

UK contact-tracing app due in 2-3 weeks

A CONTACT-TRACING app designed to let people know if they have been in close contact with someone who tested positive for Covid-19 could be rolled out widely in Britain in two to three weeks. Matthew Gould, chief executive of the NHS' technology group told a parliamentary committee that the app, which will notify contacts if a person tests positive would first be tested locally.

Corona likely to return each year, say scientists

BLOOMBERG
Beijing, April 28

CHINESE SCIENTISTS SAY the novel coronavirus will not be eradicated, adding to a growing consensus around the world that the pathogen will likely return in waves like the flu.

It's unlikely the new virus will disappear the way its close cousin SARS did 17 years ago, as it infects some people without causing obvious symptoms like fever. This group of so-called asymptomatic carriers makes it hard to fully contain transmission as they can spread the virus undetected, a group of Chinese viral and medical researchers told reporters in Beijing at a briefing Monday.

With SARS, those infected became seriously ill. Once they were quarantined from others, the virus stopped spreading. In contrast, China is still finding dozens of asymptomatic cases of the coronavirus every day despite bringing its epidemic under control.

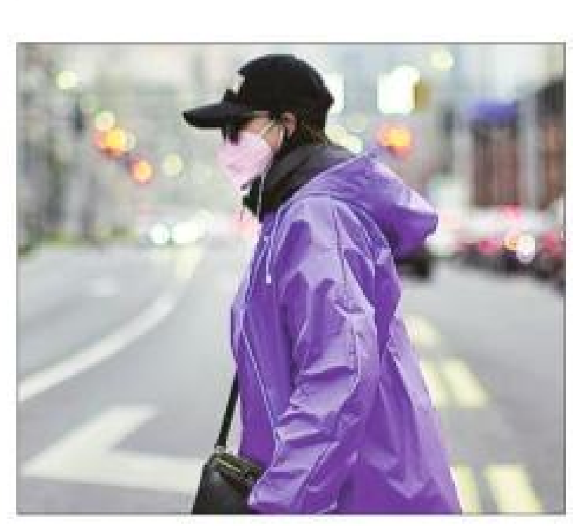
“This is very likely to be an epidemic that co-exists with humans for a long time, becomes seasonal and is sustained within human bodies,” said Jin Qi, director of the Institute of Pathogen Biology at China's top medial research institute, the Chinese Academy of Medical Sciences.

A consensus is forming among top researchers and governments worldwide that the virus is unlikely to be eliminated, despite costly lockdowns that have brought much of the global economy to a halt. Some public health experts are calling for the virus to be allowed to spread in a controlled way through younger populations like India's, while countries like Sweden have opted out of strict lockdowns.

Anthony Fauci, the director of US National Institute of Allergy and Infectious Diseases, said last month that Covid-19, the disease caused by the virus, could become a seasonal ailment. He cited as evidence cases now showing up in countries across the southern hemisphere as they enter their winter seasons.

While some, including US President Donald Trump, have expressed hope that the virus's spread will slow as the temperature in northern hemisphere countries rises in the summer, Chinese experts on Monday said that they found no evidence for this.

“The virus is heat sensitive, but that's when it's exposed to 56 degrees Celsius for 30 minutes and the weather is never going to get that hot,” said Wang Guiqiang, head of the infectious diseases department of Peking University First Hospital. “So globally, even during the summer, the chance of cases going down significantly is small.”



This is very likely to be an epidemic that co-exists with humans for a long time, becomes seasonal and is sustained within human bodies

Germany readies to take stake in Lufthansa

BLOOMBERG
April 28

DEUTSCHE LUFTHANSA, LOCKED in tense negotiations over terms of a multi-billion-euro state bailout, is considering court protection as a last resort should it fail to reach a deal with the German government, according to people familiar with the matter.

The so-called Schutzschirm protection would shield Europe's biggest airline from creditors for three months while it works out a management-led restructuring plan. The specter of a court-supervised proceeding comes as talks with Germany intensify over a rescue that could exceed 8 billion euros ($8.7 billion), said the people, who asked not to be named.

One option being discussed includes giving the government seats on the board and the power to block strategic decisions, terms Lufthansa is loath to accept because they may dent its competitiveness.

Elon Musk guards Tesla board from legal fees

BLOOMBERG
London, April 28

ELON MUSK TAPPED more of his shares in Tesla late last year to unlock some of his wealth and also entered into an unusual arrangement to provide liability coverage for fellow members of the electric-car maker's board.

Musk increased the share of his Tesla holding that he's pledged as collateral for personal loans to 54% at the end of 2019, the company disclosed in a regulatory filing Tuesday. That compares with 40% at the end of 2018, when the carmaker last shared the size of Musk's pledging.

Tesla said in the filing that the company decided not to renew its directors' and officers' liability policy for 2019-2020 due to “disproportionately high” premiums quoted by insurers. Musk, 48, instead agreed to personally provide substantially equivalent coverage for a year. The carmaker's board concluded the arrangement with the chief executive officer would not impair the independent judgment of his fellow directors.

The amended annual report from Tesla shows Musk had pledged 18.5 million shares as of December 31, an increase of about 5 million shares compared with a year earlier. His overall stake in Tesla had a value of about $27 billion at Monday's close, and the market value of his pledged shares would be roughly $15 billion assuming the position hasn't changed this year.

SELECTIONS FROM

The Economist

BRITAIN

THE PRICE ISN'T RIGHT

The impossibility of measuring inflation in a pandemic

Inaccurate data is not just a problem for economists

PEOPLE CAN TOLERATE their central heating failing in summer. They tend to miss it rather more when it goes in the depths of winter. Accurate and timely economic statistics are similar: British economists have long grown used to the Office for National Statistics (ONS) providing reliable data; now, at the time of greatest need, the data are about to become considerably dodgier. On April 22nd the ons reported that consumer-price inflation fell to 1.5% in March, down from 1.7% in February. The numbers over the next few months will bear less relation to reality.

To measure inflation the ons tracks the prices of goods (including booze and shoes) and services (including haircuts and car repairs) in a basket of items thought to resemble the spending of a “typical consumer”. The data for March were mostly collected by the middle of the month, and are thus relatively free of pandemic-related disruption. The same will not be true next month, however. Nearly half the data are collected by physically visiting stores in 140 places across Britain, many of which have shut as a result of the lockdown. Even in March, empty shelves meant estimates of the prices of flour, pasta and eggs were based on fewer than half the number of observations made the month before.

The ons will try to circumvent the problem by making more use of online data and information given to them directly by retailers. A bigger problem may be the weighting of the basket itself. Spending on restaurants and hotels, for example, accounts for 12% of the current basket; recreational and cultural activities for 17%. But nowadays eating in a restaurant is impossible and few people are rushing to book their summer holidays. When restaurants and hotels open again they are likely to have lower prices than before the lockdown, which will drag down official inflation measures.

A further problem comes from how the ons handles bulk-buying discounts. At the moment, buy-one-get-one-free offers are excluded from the calculations on the assumption that their use by retailers doesn't vary much. That assumption no longer holds: supermarkets have been dropping such offers at an unprecedented pace, branding them “irresponsible” as they may encourage hoarding. Tesco, Britain's largest supermarket chain, cut the number of promotions by 14% in March. By not taking their disappearance into account, future inflation measures will understate price rises. A paper published in 2009 found that poor households tend to benefit more than rich ones from such offers.

This will have long-term ramifications for government policy. In April 2021 consumer-price inflation from this autumn will be used to adjust tax thresholds and benefit payments. Measured inflation, dragged down by factors like the high weighting for social activities and holidays, is likely to understate the cost-of-living increases, particularly those faced by people at the bottom of the income distribution. Poor households may thus end up facing a double whammy: a more expensive weekly shop, followed by less government support to pay for it.

Personal Finance

WEDNESDAY, APRIL 29, 2020

ON LIFE INSURANCE
Kotak Institutional Equities Research

“The next two months will be weak (almost nil business in April), and we expect the slowdown in Ulips to continue for rest of the year, posing some risk to persistency and operating assumptions.”

CRUDE OIL PRICES

How low oil prices can impact your investments

Low oil prices will have a positive impact on glass manufacturing, transport, industrial power, plastics, lubricants, petrochemical, , FMCG, paint, rubber & tyre manufacturing companies

P SARAVANAN

ILLUSTRATIONS: SHYAM KUMAR PRASAD

FOR THE FIRST TIME in history, crude oil prices had fallen below zero. In other words, sellers were paying buyers to take deliveries to avoid storage cost. Let us look at the logic behind negative pricing and assess the impact from an investor's point of view.

End of the contract effect

There are around 160 types of crude oil traded in the commodity market. Crude oil is essentially a physical commodity traded in the commodity market or over the counter but delivered at a physical location. It is traded in futures market with a predetermined price and predetermined date and delivery location. West Texas Intermediate (WTI) which is popularly known as US crude, is delivered at Cushing city in Oklahoma state. Last week, when the futures contract for WTI was coming to an end, no one wanted to take the physical deliveries, though there were thousands of delivery contracts already sold. The reason is simple: there is no storage space in Cushing.

So, other market participants on seeing the pressure from both the buyer and seller, started to quote lower and lower rates as they have to bring large trucks and store oil in far-off locations. Thus, producers or traders were basically paying $40 per barrel to other market participants to take the oil off their hands. This is purely owing to the end of the contract effect.

Impact on investors

Oil companies are some of the most important payers of dividends across financial markets worldwide, providing vital cash flow streams to pension funds and millions of smaller investors. There is a higher probability that oil companies will be forced to cut their dividends and stop their share buyback plans. We are already getting signals regarding dividend cut from large European oil companies.

India is the third largest consumer of crude oil and it imports almost 82% of its oil. But, falling global crude oil prices in the Indian basket (a weighted average of Brent, Oman, Dubai which is an indicator of the price of Indian crude oil imports) is trading at around $20.56 per barrel. Though the price is lower than previous levels, the government had already increased excise duties and taxes on auto fuels to supplement its revenue collections.

So, the common man is not going to benefit from the falling crude oil prices, and price of petrol and diesel will not go down in the foreseeable period. Inspite of a lower price of the Indian basket, there is no demand for oil owing to Covid-19, lock down, restricted movement, etc.

Crude is directly used in oil refining and oil marketing companies and extensively used in transport, aviation, industrial power, glass manufacturers, lubricants, petro chemical, plastics industry, FMCG, paint manufacturers, rubber / tyre manufacturers, etc. Low oil prices have a definitely positive impact on the above segments. However, there will be a negative impact on state-run oil producing companies, but oil marketing companies are relatively better placed because higher net profit margins are likely to offset the lower refining margins and volumes.

Thus, investors should pick up their investments in the segments as indicated above, to benefit in the short to medium run owing to the reduction in oil price.

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

INSURANCE

VAIDYANATHAN RAMANI

Covid-19 to lead to spike in demand for health and life cover

THE RAPID PACE at which the Covid-19 has spread globally has forced people to take insurance seriously, mostly health and life. People are increasingly realising that there are chances of risk at all times and it is important to stay adequately protected.

The key motive of a term insurance plan is providing financial and liability protection to the dependents of the policyholder. The core objective of term life insurance is actually 'protection'. A term life insurance policy acts as an income replacement tool for the family in case of the sudden death of the policyholder.

A term plan even provides adequate protection against disease and disability. Under protection against disease, the insured can choose to buy a separate Critical Illness Rider under which the policyholder is paid the entire sum assured in case of a critical illness. This amount can be used to pay for the cost of treatment and also for loss of income due to the absence from work during the treatment and recovery period.

Apart from death due to pandemics, term life insurance covers deaths due to a plethora of causes which also includes natural death. For complete protection of the customers, today there are several term plans available in the market that offer coverage up to 99+ or even 100 years. Your family is dependent on you even after you are gone and you certainly don't want to let them down. Whether it's for replacing lost income, paying for your child's education or making sure your spouse gets the much-needed financial security, life insurance could save the day for your surviving dependents.

In the coming years, there would be a significant surge in the demand for disease-specific plans and even the insurers will think more about product innovation

Health insurance

The scenario for health insurance would also be the same as people will start realising the importance of an adequate health cover much more than ever before. There will a fair surge in the number of people buying health insurance as after a pandemic like Covid-19 people will realise that not being infected by such a deadly virus is not completely in one's hands. Moreover, people will now think about securing their own and their loved ones' lives under a comprehensive health insurance plan rather than the one provided by the employer.

There would also be a significant rise in disease-specific health plans as these are only for widespread infections as against normal hospitalisation in order to keep the cost of treatment low. The basic reason for keeping the prices of all such plans relatively low is that the treatment of such infections is very basic as it does not include any surgeries. It is only in certain extreme cases that patients require severe treatment.

The Insurance Regulatory and Development Authority of India (IRDAI) has asked insurers to come up new need-based products for coronavirus, and for which, a few insurers did come up with such need-based specific products to cater to the current requirement. These are defined benefit-based product where the benefit is paid on the occurrence of the event and no bills are required. In the coming years, there would be a significant surge in the demand for such disease-specific plans and even the insurers will think more about product innovation and try to launch such plans as soon as an epidemic or pandemic strikes.

The writer is head, Product & Innovations, Policybazaar.com

YOUR QUERIES

Dhaval Kapadia

VPF contributions eligible for tax deductions under Section 80C

• My monthly income is ₹2 lakh and my wife earns ₹1 lakh a month. We invest 100% of our basic salary in Voluntary Provident Fund. Will all the VPF investments and returns and maturity withdrawals after five years be completely tax free? Do we have right investment approach?

– Nikhil Bhatia

VPF is the voluntary contribution by employees towards their provident fund account over and above the 12% contribution towards EPF. The maximum contribution allowed under VPF is up to 100% of the basic salary and dearness allowance. VPF contributions are eligible for tax deductions under Section 80C. Like EPF, they enjoy EEE (exempt-exempt-exempt) status, i.e. the amount invested up to ₹1.5 lakh are deductible), interest earned, and maturity proceeds are exempt from tax. VPF account offers the same interest as the EPF (8.5% for FY20) which is revised annually.

MUTUAL FUNDS

However, as interest rates reduce, the probability of achieving a targeted corpus over long periods would also tend to reduce. Hence, for long-term goals it is advisable to invest in equities and other asset classes, returns from which tend to be higher than inflation over the long term (7 to 10 years and above). VPF contributions are subject to a lock-in period which is the same as that for EPF accounts. For portfolio construction, an asset allocation-based approach (mix of equity and debt) should be followed as it is one of the key determinants of the portfolio's performance. Higher the investment horizon and risk appetite, higher can be the allocation to riskier asset classes such as equity. With the existing emergency corpus as a backup and based on your risk assessment, you may contribute the fixed-income portion of your overall portfolio to the VPF account to benefit from the higher yield and favourable taxation on offer. You may also consider parking your emergency corpus in high credit quality debt mutual funds, which enjoy favourable taxation compared to FDs if held for more than 3 years.

• As I want to redeem some units from my equity MF SIP, how long will it take to credit the money into my account?

—Vikas Kumar

In case of redemption from equity funds, the proceeds are credited to your account on a T+3 days basis for equity funds (T being the transaction date).

The writer is director, Investment Advisory, Morningstar Investment Adviser (India). Send your queries to fepersonal finance@expressindia.com

eFE

FROM LABS TO MARKET

Look out for a new force in green mobility

A six-member student team from Salem has designed a low-cost e-bike that can run 80 km on a full charge; recharge costs a mere ₹20

SUDHIR CHOWDHARY

The AICTE Clean and Intelligent Mobility Mission eBike prize winning students of Thiagarajar Polytechnic College, Salem

THE WORLD HAS been looking for cleaner, greener and cheaper mobility solutions and a whole bunch of e-bike startups have been showing us the road. However, challenges like battery range, speed, charging time, comfort and, above all, cost remain. So far, the e-bikes have been priced around ₹1.25 lakh. Can a student project from Thiagarajar Polytechnic College, Salem, Tamil Nadu, show the way in reducing the costs?

Well, six final-year mechanical engineering students—Elavarassan, Abinash, Ahmed Taufeeq, Balachandran, Chandradevan and Jagadeeswaran—aided by their faculty at the 60-year old polytechnic grabbed an old petrol motorcycle ready for the scrap heap and set to work on it. What emerged was Fuerza—meaning 'force' in Spanish—an e-bike developed at just under a lakh of rupees.

The jaunty red-and-blue bike put together by the students can run 80 km on full electric charge, thanks to an efficient lithium ion battery and recharge for the bike costs a mere ₹20. An impressed jury at India's first new Clean and Intelligent Mobility Mission Festival 2019-2020, instituted under the aegis of All India Council for Technical Education (AICTE), awarded the project first prize and a cash award of ₹50,000.

What prompted the students to undertake the project? The students say that when they looked at what was preventing consumers from switching to e-bikes, the lack of charging stations was a big barrier but the biggest barrier was the pricing. This is what they sought to address. Fuerza was put together at a really low cost, pointing to the possibility of converting similar old vehicles into 'green' transport.

In the case of e-bikes, other than the vehicle itself, charging points and batteries add to the cost. The students had to choose components carefully to keep them cost-effective yet efficient and convenient and they allowed themselves a period of three months to research the requirements and options.

First, they chose a brushless DC Motor able to deliver a maximum speed of 40 kmph. It's noiseless and also gives high power transmission to the system. Next, they chose an efficient lithium-ion battery which keeps the bike running for a maximum of 80 km on a full charge. They made sure recharge for the bike would cost below ₹20.

The design and fabrication of the structure of the bike was perhaps the most important part. A belt drive was chosen that would reduce power consumption and protect the motor's life. At the same time, the structure had to support the carrying of load. The students were eventually able to design the system to bear a load of 250 kg at a speed of 35 kmph.

Another issue to address was that of storage space. They used the fuel tank to convert it to an all-purpose storage unit of 12-litre capacity. The bike's electric system is also customised using a mono shock absorber to reduce the vibrations affecting the body when the roads are bumpy, a reality in most of India.

The students spent ₹98,000 on the Fuerza prototype, but claim it can be mass manufactured for ₹60,000-70,000. For V Karthikeyan, the proud principal at Salem-based Thiagarajar Polytechnic College, this student project which has been making waves in engineering circles, is an example of what the institute has been striving to do – instilling learning by doing. He is confident that once the lockdown is over, the college team would showcase its e-bike to bike manufacturers.

TECH & COVID-19

Smart Cities solutions to fight the pandemic

Agra Smart City is incorporating new technologies to track the spread of the virus

ISHAAN GERA

STATE GOVERNMENTS ARE moving fast to align with startups to curb the spread of coronavirus, but city administrations are also coming up with some innovative solutions. And, India's smart cities are leading the way. Although the Smart Cities projects have got delayed due to paucity of funds, some cities are showing their mettle as far as the fight against Covid-19 is concerned.

Agra has been at the forefront of this development. Awarded the best smart city tag in pan-India rankings, the city administration has been working with Gaia, a SaaS startup to leverage its SmartFeedback technology and Microsoft's Azure platform to track Covid-19 cases.

Amrita Chowdhury, director, Gaia, says Agra has been tracking 550 live high-risk cases. "Citizens using the platform can self-assess and this information is then passed on to city authorities. Thereafter, a pin-code-wise mapping is done where medium and high-risk people are identified," Chowdhury says, adding, "The software helps administration collect information on where hotspots are emerging."

"The Citizen Covid19 Risk Self Assessment app is one of the many initiatives of Agra Smart City and District Administration for emergency response management. This app will help the city identify high-risk individuals, get health teams to out to them with their permission, and through data analytics, see emerging location based spread trends, if any, so that we can take prompt response action," says Arun Prakash, CEO Agra Smart City and Ayukt, Agra Nagar Nigam.

Although Artificial Intelligence is not being used now, Chowdhury says that rapid visualisation and data analysis is being done to provide better solutions.

But Agra is not the only administration leveraging technology. Smart city systems across the country are being used as integrated command and control centre (ICCC). Most cities have tied up with medical staff to provide telemedicine solutions. Kota, for instance, has been connecting local medical stores with people for delivery of medicines.

"Smart cities are all about using IoT and smart solutions. Patient management can be one of the solutions. Smart cities can collate this data. They can also coordinate with health workforce and determine if they need to concentrate testing centres in specific areas," says Anindya Mullick, partner, Deloitte Touche Tohmatsu India LLP. "After this we will have a cluster lockdown and smart cities will play an important role in collation and mapping of essential services. This is a good opportunity and will help improve our response in other emergency situations."

The crisis is certainly helping cities get smarter. Now, it is uponcity administrations to use this data for more collaborations and further development of apps by startups.

Markets

WEDNESDAY, APRIL 29, 2020

CONTINGENCY PLAN

Raj Balakrishnan, BofA's investment banking head in India

"It's my belief that governments would need to temporarily give up on their fiscal responsibility targets. The reason we have these targets in good times is to have the financial firepower to deal with a contingency like this one...So, you have to use that financial firepower you have built."

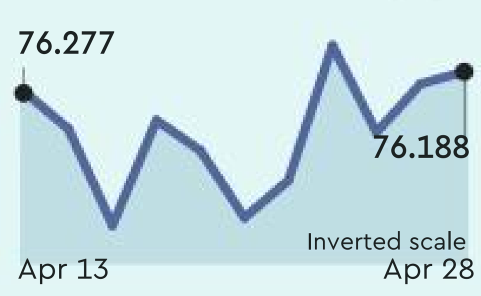
Money Matters

G-SEC

Benchmark yield falls due to buying support 0.015%

₹/$

Rupee appreciates on global cues 0.07%



€/$

Euro rises against the dollar 0.53%

RTI RESPONSE

Top 50 wilful defaulters caused write-offs worth ₹68k cr: RBI

SHRITAMA BOSE
Mumbai, April 28

THE LOANS OUTSTANDING written off — in technical or prudential terms — on account of exposures to the top 50 wilful defaulters as on September 30, 2019, was ₹68,607 crore, the Reserve Bank of India (RBI) has said in a right-to-information (RTI) response. Gitanjali Gems, REI Agro and Winsome Diamonds and Jewellery were the three top wilful defaulters to Indian banks.

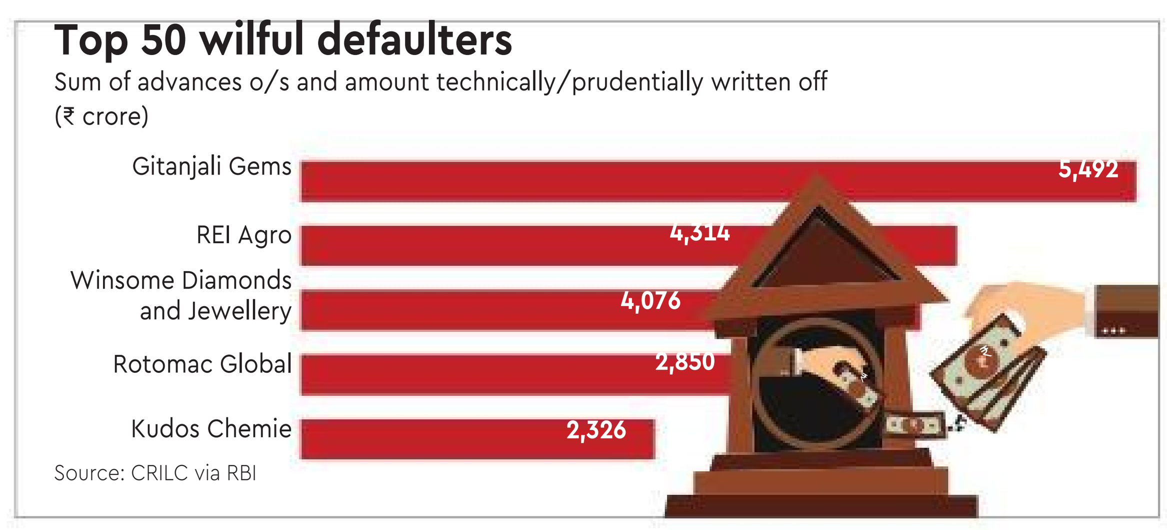
In a response to an RTI filed by Saket Gokhale, the central bank declined to offer names of wilful defaulters as on February 16, 2020, stating that this data is not available. The RBI also cited the Section 8 (1) of the RBI Act and the Supreme Court's judgment in the Jayantilal N Mistry case to withhold information on overseas borrowers.

The list of top 50 defaulters includes names like Ruchi Soya Industries, which has been resolved under the Insolvency and Bankruptcy Code (IBC), and ABG Shipyard, which has gone into liquidation after a resolution could not be found.

A 'wilful default' would be deemed to have occurred if a borrower has defaulted in meeting their payment or repayment obligations to the lender even when they have the capacity to honour the said obligations. Wilful default is also deemed to have occurred if a borrower has not utilised the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes. Siphoning off of the funds or removal of movable fixed assets or immovable property given as security without the knowledge of the lender also constitutes wilful default.

In a master circular on July 1, 2015, the RBI had said no additional facilities should be granted by any bank or financial institution to listed wilful defaulters. In addition, such companies (including their entrepreneurs or promoters) where banks have identified siphoning or diversion of funds, misrepresentation, falsification of accounts and fraudulent transactions should be debarred from institutional finance from the scheduled commercial banks, financial institutions, and non-banking financial companies (NBFCs) for floating new ventures for a period of five years from the date of removal of their name from the list of wilful defaulters as published by the RBI or credit information companies.

Bankers have been seeking more clarity on how to distinguish between cases of wilful default and diversion of funds. Most recently, banks brought up the matter with the RBI in a meeting on March 2, requesting that rules be framed around how to make this distinction.



Source: CRILC via RBI

Investors pull out ₹5k cr from credit risk funds after Templeton move

FE BUREAU
Mumbai, April 28

SINCE APRIL 24, a day after Franklin Templeton MF decided to wind up its six debt schemes, investors have pulled out around ₹4,500-5,000 crore from credit risk funds, market participants say. The total assets under management (AUM) of credit risk funds were around ₹45,000 crore in mid-April.

The CEO of a top fund house said that there has been some redemption from credit risk funds as investors fear their investments are in danger post Franklin Templeton's closure of six schemes.

"I would say the assets of credit risk funds might have come down by 10-12% in the past few days. Anxious investors have redeemed the money and exited completely from credit risk funds but we expect things to stabilise in next few days as it is an isolated event," he said.

On April 23, six schemes collectively worth ₹25,800 crore were wound down by Franklin Templeton.

Meanwhile, BOI AXA Credit Risk fund has given negative returns of 72.05% in the last one year, data from Value Research showed. The returns are as on April 27, 2020. Last week, BOI AXA Mutual Fund marked down various debt securities in the range of 50-100%. Few fund houses have marked down their investments in Dewan Housing Finance (DHFL) and Vodafone Idea in the last one year.

The holdings which were marked down by 50-100% include DHFL, Avantha Holdings, RKV Enterprise, Coffee Day Naturals Resources, among others.

"A few of the securities in our schemes have already been marked down in the past taking into account the overall stress in the credit and debt markets since September 2018. This stress has worsened in the current market conditions and heightened illiquidity for these securities," said BOI AXA in a statement.

Significantly lower liquidity in the Indian bond markets for most debt securities and high levels of redemptions following the Covid outbreak and lockdown were the reasons for Franklin Templeton to shut down the six schemes.

Credit risk funds invest approximately 65% of their total assets in AA and below rated corporate bonds.

The data from Value Research showed that out of 20 credit risk funds, 11 funds have delivered negative returns in the last one year.

In the last one year, downgrades in credit ratings of several debt instruments have led to mark down by fund houses in their debt schemes holding those papers, impacting their returns.

Quick View

L&T raises ₹2,500 crore via NCDs

LARSEN & TOUBRO on Tuesday said it has raised ₹2,500 crore through the issuance of NCDs. The debentures will mature in April 2025. The debentures are proposed to be listed on the NSE, the company said in a filing. The interest on will be paid on an annual basis, it added.

SAT to take up only urgent matters during lockdown

SAT CAME OUT with a procedure for hearing extremely urgent matters during the lockdown period. It issued standard procedure for e-filing, mentioning and hearing of matters via video conferencing while stating that only matters which involve extreme urgency would be taken up during the lockdown period.

PNB Housing appoints Vyas interim MD & CEO

PNB HOUSING FINANCE on Tuesday said it has appointed Neeraj Vyas as its interim MD and CEO. The term of incumbent Sanjaya Gupta comes to an end on May 4. Vyas will be in the new role for eight months, effective April 28, according to a filing by the company.

UBI: Customers' PMGKY money safe in accounts

UNION BANK OF India has said in a statement that the money received under Pradhan Mantri Garib Kalyan Yojana is safe in the customers' accounts and they can withdraw the cash at any time from any ATM, bank branch or Bank Mitra points.

RBI continues secondary market OMO purchases in third week of April

FE BUREAU
Mumbai, April 28

THE RESERVE BANK of India (RBI) has been continuing its secondary market purchase of government securities, which market participants indicate is likely to be treasury bills, via open market operation (OMO) purchases in the third week of April after similar purchases were noted during the second week.

The central bank conducted OMO purchases worth ₹16,424 crore between April 13 and April 17, according to the weekly statistical supplement extract put out by the central bank on Friday. Although there is no concrete proof, experts believe a large chunk of this is likely to be T-Bill purchases by the RBI from the secondary market.

According to the WSS data, the central bank has conducted ₹14,989 crore worth of OMO purchases on April 17. In the week prior to this, the central bank conducted OMO purchases of ₹14,660 crore between April 7 and April 9. Experts had indicated that this was also likely to be T-Bill purchases from the central bank.

Reports had also indicated that the central bank is buying G-secs via primary dealers from the government securities auction. However, this could not be confirmed and many market participants later said nothing pertaining to such purchases could be ascertained.

MS Gopikrishnan, an independent market expert, believes the RBI is buying T-Bills from the secondary market through which it is indirectly funding the government deficit. "In current conditions, the excessive liquidity in the system and duration risk-aversion of banks has created the ideal situation for increasing T-Bill borrowing and that could be one of the reasons why the government is borrowing more via T-Bills. These additional borrowing via short-term securities will have to be wound down eventually, but right now the government has time on its side as liquidity continues to be high," Gopikrishnan said.

Along with the purchase of securities from the secondary market, the RBI is also conducting its twist operation where it is simultaneously buying long-dated securities and selling short-tenor papers worth ₹10,000 crore each. Market participants had bid aggressively during the RBI's twist operation on Monday; they showed significant desperation to sell bonds, taking the cut-off yield higher on one of the securities that was designated for the operation. Experts say the rise in yields could be attributed to market participants' eagerness to book profits in these bonds.

Equities surge to near seven-week high

PRESS TRUST OF INDIA
Mumbai, April 28

INDIAN EQUITIES REMAINED on the front foot for the second consecutive session on Tuesday, with benchmarks settling at a near seven-week high amid hopes of more stimulus measures to cushion the coronavirus-induced economic shock.

The BSE gauge Sensex closed above the psychological 32,000-mark after more than six weeks. The index settled 371.44 points or 1.17% higher at 32,114.52. It hit an intra-day high of 32,199.91 and a low of 31,661.34. Similarly, the NSE Nifty advanced 98.60 points, or 1.06%, to close at 9,380.90 — its highest closing level since March 13. Financial stocks led the rally on the Sensex for the second straight session on Tuesday, buoyed by RBI's ₹50,000-crore special liquidity support to the mutual fund industry.

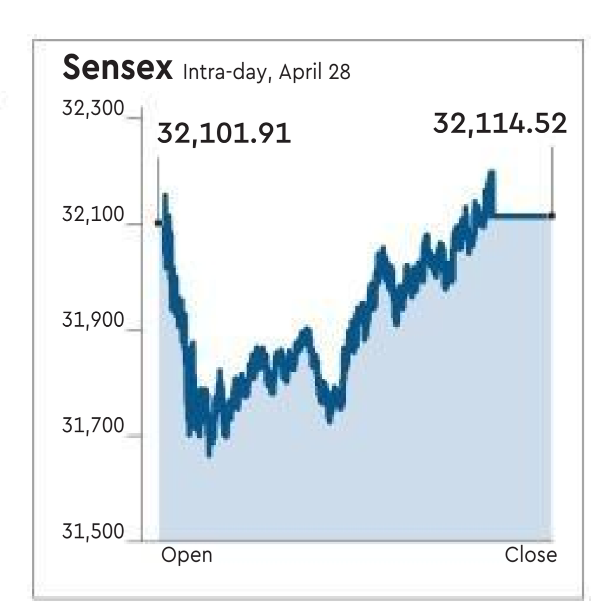
On the Sensex chart, IndusInd Bank was the top gainer, rallying over 15%, followed by Bajaj Finance, HDFC, Axis Bank and ICICI Bank. On the other hand, Sun Pharma, NTPC, Nestle India, HCL Tech and Bharti Airtel were among the prominent losers.

Sector-wise, BSE finance, bankex, consumer durables, oil and gas, realty and auto indices rallied up to 3.53%; while healthcare, telecom, FMCG and power indices fell up to 1.65%. In the broader market, midcap and smallcap indices rose up to 0.80%.

Other than hopes of another stimulus by the government, positive cues from the global arena about easing coronavirus-induced curbs also enthused investors in the domestic market.

Asian shares were mixed Tuesday as governments inch toward letting businesses reopen and central banks step in to provide cash to economies. European stocks advanced on data showing slowing growth in the deadly virus that has closed the global economy and on strong earnings reports that outweighed a slump in oil prices.

Brent crude futures advanced 1.95% to $23.52 per barrel.



Rupee gains for second day

THE RUPEE rose by 7 paise to close at 76.18 (provisional) against the US dollar on Tuesday, tracking positive domestic equities and a weak American currency in the overseas market. This is the second consecutive day of gain for the rupee, during which it has appreciated by 28 paise.

At the interbank foreign exchange, the rupee opened at 76.33. It touched an intra-day high of 76.14 and a low of 76.44. The unit finally settled at 76.18, a rise of 7 paise over its previous close. — PTI

Sebi extends timelines for unlisted NCDs

FE BUREAU
Mumbai, April 28

THE SECURITIES AND Exchange Board of India (Sebi) on Tuesday extended the timeline for compliance with the maximum limits for investments in unlisted non-convertible debentures (NCDs). Market participants say that this move by the regulator will help fund houses with liquidity which holds unlisted NCDs in its portfolio.

The regulator said that based on the request received, the timeline for compliance with the maximum limits for investment in unlisted NCDs as 15% and 10% of the debt portfolio of the scheme is extended to September 30, 2020, and December 31, 2020, respectively.

In October last year, Sebi had stated that maximum investments in unlisted NCDs as a percentage of the debt portfolio of the scheme to bring 15% by March 2020 and 10% by June 2020. Later, this March deadline was extended till April end in the light of recent market events pursuant to novel coronavirus.

Sebi has also allowed the existing unlisted NCDs to be grandfathered till maturity. "It is hereby clarified that the grandfathering of the identified NCDs is applicable across the mutual fund industry. Accordingly, mutual funds can transact in such identified NCDs and the criteria as specified in para B (1) of SEBI Circular dated October 1, 2019, is not applicable," said Sebi in its circular.

The October circular stated that the mutual fund scheme shall not invest in unlisted debt instruments, including commercial papers (CPs), other than government securities, other money market instruments and derivative products such as interest rate swaps (IRS), interest rate futures (IRF), etc, which are used by mutual funds for hedging.

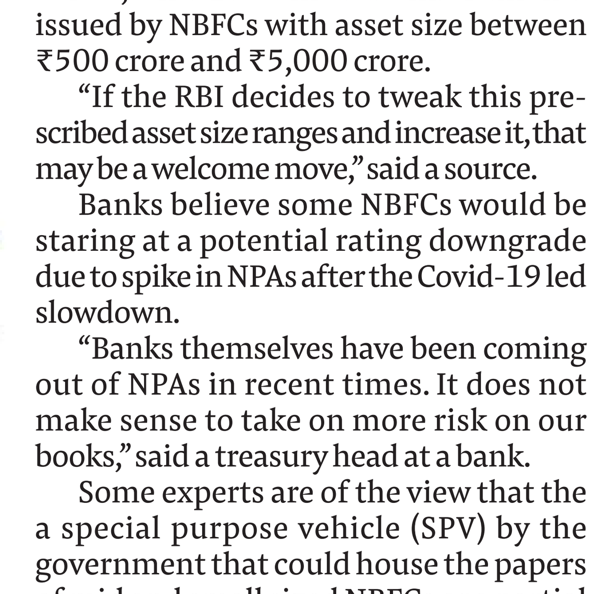
TLTRO 2.0 needs to be open-ended and on-tap with change in structure: Experts

BHAVIK NAIR
Mumbai, April 28

THE LUKEWARM RESPONSE to the first tranche of TLTRO 2.0 for NBFCs and MFIs, which received bids worth only ₹12,850 crore against the notified amount of ₹25,000 crore, has prompted experts to call for some changes. They believe the scheme should be open-ended and the funds should be available on on-tap.

MS Gopikrishnan, an independent market expert, said there is a need for an open-ended scheme for the TLTRO 2.0 to be successful rather than the RBI conducting it in a tranche-wise auction.

"For the funding to NBFCs to be successful, the banks need some sort of freedom as has been provided in the latest credit line extended to mutual funds by the RBI where the funds are available on-tap. Another bottleneck is the asset size limits of the mid and small size NBFCs as prescribed by the central bank in TLTRO 2.0 as many banks feel they don't have the risk appetite to fund such smaller firms. If the central bank comes out with changes regarding some of these aspects, I believe the next tranche of TLTRO 2.0 may be successful," Gopikrishnan said.



"Keeping it open-ended and on-tap would be a better idea than conducting the operation on a pre-decided date. Banks should get enough leeway in deciding how much they want to borrow and when to borrow," said an expert.

Moreover, a potential tweak in the asset size range could encourage banks that do not have enough appetite to lend a significant quantum of funds to smaller NBFCs. The RBI had prescribed that 10% of the funds availed under TLTRO 2.0 has to be invested in debt instruments issued by MFIs, 15% in debt instruments issued by NBFCs with asset size of ₹500 crore and below; and 25% in debt instruments issued by NBFCs with asset size between ₹500 crore and ₹5,000 crore.

"If the RBI decides to tweak this prescribed asset size ranges and increase it, that may be a welcome move," said a source.

Banks believe some NBFCs would be staring at a potential rating downgrade due to spike in NPAs after the Covid-19 led slowdown.

"Banks themselves have been coming out of NPAs in recent times. It does not make sense to take on more risk on our books," said a treasury head at a bank.

Some experts are of the view that the a special purpose vehicle (SPV) by the government that could house the papers of mid and small sized NBFCs or a partial credit guarantee on these papers could help. "The government will have to step in at some time. I believe the RBI itself may not be able to resolve the issue as the issue is not about providing liquidity, rather it is about credit-risk aversion," said an expert.

LIC sells over 2.19 cr policies in FY20, highest in 6 years

FE BUREAU
Mumbai, April 28

LIFE INSURANCE CORPORATION (LIC) ended the last fiscal with a growth of over 25% in first year premiums compared to private insurance players who saw the premium growth of 11.64%. In FY20, state-run LIC has achieved its highest number of policies for the last six years. The data from Insurance Regulatory and Development Authority (Irdai) showed that LIC has sold over 2.19 crore policies in last fiscal.

"In these difficult times of business distress caused by Covid-19, LIC, India's largest life insurer, continues to better its performance. In the just concluded financial year 2019-20, LIC has achieved its highest number of policies for the last six years," said LIC in its press release.

The Irdai data showed that LIC saw its new business premiums at ₹1.77 lakh crore in 2019-20 compared to ₹1.42 lakh crore in the previous fiscal — a growth of 25.17%. On the other hand, private insurers saw their first year premium at ₹80,919.40 crore in last fiscal — a growth of 11.64% against the previous year. LIC collected single premium of ₹21,967 crore and non-single premium of ₹29,260 crore, the ratio being 42.88 for single premium and 57.12 for non-single premium.

ANALYST CORNER

HDFC Life: Maintain 'hold' with target price of ₹470

EDELWEISS SECURITIES

HDFC LIFE REPORTED a mere 1% y-o-y growth in NBP in Q4FY20. Market share, however, improved 170 bps to 14.2% in FY20 (individual WRP basis) as it outperformed the broader industry; under growing pressure on the ULIP segment due to the lockdown and fairly weak equity sentiments. Apart from marginal shift from non-par to par and annuity products, business mix remained fairly stable q-o-q. The company reported a VNB margin of 25.9%, up 130 bps y-o-y, but down 70 bps q-o-q. Persistency ratios remained stable with slight improvement in a few buckets q-o-q. However, maintaining these ratios will pose a significant challenge, especially in the ULIP segment, with expected heightening capital market apathy amongst customers. The company's disclosure of the Milliman report on non-par savings products builds incremental confidence on interest rate risks. Our target multiple of 3.5x FY22E P/EV continues to include a 10% premium for the inherent value creation opportunities not captured by HDFC Life's current core.

Maintain 'hold' with a TP of ₹470.

In order to preserve solvency capital, which was marred 10% due to the adverse equity market movement, no dividend was declared for FY20. An enabling resolution to raise ₹600 crore of tier-II capital has been approved to ensure capital is not a constraining factor to grow, especially in pure protection, where demand should pick up as wallet share inevitably tracks its new 'mind share' given the pandemic-driven mindset reset. Operating assumptions have become tighter as near-term pressure on ULIP persistency builds.

A Covid-19 reserve of ₹40 crore has been created to deal with the increased mortality rate. Despite incorporating all these and adverse impact of DDT changes, reported ROEV of 18.1% for FY20 is impressive.

The stock trades at 4.3 FY21E P/EV, by far the most expensive player in the life insurance space, thanks to a much higher margin and growth compared to competition along with a stronger brand at play.