KOLKATA, MONDAY, MAY 4, 2020

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READ TO LEAD

MORATORIUM

Banks may give NBFCs a break

ANKUR MISHRA
Mumbai, May 3

BANKS COULD REVIEW extending the moratorium to non-banking financial companies (NBFCs) after a meeting with the Reserve Bank of India (RBI) on Saturday, sources close to development told *FE*.

RBI governor Shaktikanta Das held meetings with heads of major public and private sector banks in two separate sessions through a video conference, the regulator said in a release on Saturday. The moratorium for NBFCs was discussed at the meeting, and the regulator is understood to have asked banks to consider a moratorium, at least, on a case-to-case basis. "We will review extending the moratorium to NBFCs at board level," a banker told FE.

FE reported earlier that public sector lender Bank of India has already provided a moratorium to NBFCs. The RBI, on March 27, permitted lending institutions to defer installments of term loans by three months from March 1, 2020. The NBFC sector has also given customers a repayments holiday but has not got one from banks.

According to bankers, the RBI had already has provided them from giving NBFCs a moratorium and has left it to banks to decide.

Continued on Page 2

TIME TO RE-OPEN CAPITAL

Delhi CM: Will have to be ready to live with corona

To ask Centre to declare only containment areas as red zone, not entire district

PRESS TRUST OF INDIA
New Delhi, May 3

CHIEF MINISTER ARVIND Kejriwal on Sunday said the time has come to re-open Delhi and people will have to be ready to live with the novel coronavirus as he announced the implementation of all lockdown relaxations prescribed by the Centre for the 'red zone' in the national capital.

Addressing an online media briefing, Kejriwal said the Delhi government will suggest to the Centre that only containment areas in the city be declared red zones and not the entire district. At present, all 11 districts in the national capital have been declared red zones.

The chief minister said the novel coronavirus is going nowhere and it is impossible that cases of coronavirus will be zero. "It is impossible that there will be no cases of coronavirus because it has not happened across the country. We will have to be ready to live with coronavirus. We will have to get used to it," he said.

Delhi has been under lockdown since March 23.

An Indian Air Force helicopter showers flower petals on medics to applaud them for their services during the nationwide lockdown in the wake of coronavirus, in Bengaluru on Sunday

COVID-19 UPDATE

40,263
TOTAL CASES

1,306
DEATHS SO FAR **2,487** NEW CASES

PM holds key meeting on steps for financial sector

PRIME MINISTER NARENDRA Prime Minister Narendra Modi held a key meeting with home minister Amit Shah and finance minister Nirmala Sitharaman on Saturday to firm up strategies for the financial sector, amid mounting expectations of a stimulus package to help **fe Bureau** in **New Delhi**. The need to usher in long-term structural reforms in infrastructure, credit offtake and corporate governance were also discussed. The PMO said he also discussed "strategies and interventions to support MSMEs and farmers, enhance liquidity and strengthen credit flows".

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A LONG ORDEAL

After dull Q4FY20, India Inc braces for more pain

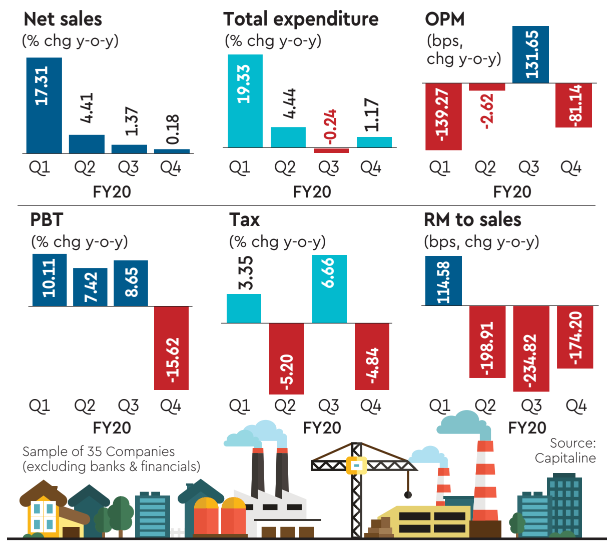
Pressure on prices seen across sectors, analysts may cut FY21 outlook further

FE BUREAU
Mumbai, May 3

HINDUSTAN UNILEVER CMD Sanjiv Mehta's observations, post the FMCG giant's results announcement last Thursday, that there could be more disruption and it is difficult to say when the recovery will set in, pretty much sums up the mood in corporate India.

Grappling with uncertainty about how much damage the pandemic could do to demand, both at home and abroad, CEOs are simply waiting for more evidence before they put out any growth targets. As TCS MD and CEO Rajesh Gopinathan said the storm could get worse before it gets better. His comment to the effect that clients are stressed and looking to restructure and re-price contracts is a sign that realisations will be under pressure.

Continued on Page 2



LOCKDOWN EFFECT

States' tax receipts shrink nearly 80% in April, May could be worse

PRASANTA SAHU, SUMIT JHA & DEEPA JAINANI
New Delhi/Lucknow, May 3

STATE GOVERNMENTS SEEM to have collected the lowest-ever inflation-adjusted monthly tax revenue in April. Officials from over half a dozen states told FE that their states' own tax revenues (OTR) in the lockdown month were less than a fourth of the usual (estimated) level, with some putting the figure at even 10%.

While this has indeed undermined their ability to sustain the Covid-19-related additional expenditure, the Centre's decision to release the states' share of divisible tax pool without any reduction from the budgeted level has come as a solace to them. Of course, a clutch of them has resorted to front-loading of market borrowings and some with relatively worse balance sheets have borrowed at exorbitant costs.

The Centre has already transferred ₹46,038 crore to the states as their share of central taxes in April.

The states' OTR could take a further hit in May, as the S-GST collections could be even worse than that in April. This is because April GST collections pertain largely to March, which saw the imposition of lockdown in the last week, whereas the May mop-up is primarily from transactions done in April, which witnessed lockdown throughout.

Continued on Page 2

CRUELLEST APRIL

Our own tax receipts were just ₹200 crore in the month, compared with target of ₹3,500 crore
— **TM THOMAS ISAAC**, KERALA FINANCE MINISTER

April tax revenues were just about 20% of corresponding month a year ago
— **SUSHIL KUMAR MODI**, KERALA FINANCE MINISTER

As against the tax revenue target of ₹13,591 crore for April, only ₹2,044 crore or 15% was collected
— **A SENIOR UP GOVERNMENT OFFICIAL**

Only ₹1,100 crore collected as tax revenue in April compared with the target of ₹4,700 crore
— **ASHOK MEENA**, ODISHA FINANCE SECRETARY

FE SPECIALS

BRANDWAGON, P10
Immunity products in demand
Items such as honey, chyawanprash and Ayurvedic capsules are witnessing a surge in sales

eFE, P8
Creating value in a time of crisis
Nine startups at Hyderabad-based startup incubator T-Hub debut niche solutions to combat Covid-19

PERSONAL FINANCE, P9
Fixing third party cover norms
Irdai panel suggests changes in fixing the obligation of insurers for the mandatory third-party motor insurance

INFRASTRUCTURE, P4
Bill brightens outlook for sector
While draft changes to Electricity Act have been welcomed by industry, more clarity is needed on some of the provisions

SCIENCE & TECH, P5
The games we play
Fortnite's Travis Scott's metaverse event gives a glimpse of a world beyond gaming

MARKET RELIANCE

Govt in a fix over raising H1 borrowing target

FE BUREAU
New Delhi, May 1

THE CENTRAL GOVERNMENT will likely ramp up market borrowing in the second half of this fiscal, but may be forced to stick to its target for the first half at the moment. This is despite the increasing need for boosting productive expenditure through a stimulus package to blunt the Covid-19 impact, despite faltering revenue mop-up.

Nevertheless, from tapping multilateral institutions more vigorously to getting the central bank to print more money, the Centre is considering a raft of proposals to finance its fiscal deficit.

Continued on Page 2

FRUITS AND VEGETABLES

Supply crisis looms as Azadpur arrivals plunge

PRABHUDATTA MISHRA
New Delhi, May 3

THE WORST FEARS of a major disruption of the food supply chain due to the prolonged lockdown might come true. While 40-50% of the fruits and vegetables output, including the crop harvested over the last few weeks and the standing crop, is estimated to have perished due to the absence/shortage of labour and transport, market arrivals are learnt to have slumped further in the second fortnight of April.

Delhi's Azadpur mandi, the country's largest market yard for these items, saw arrivals of onion, tomato and potato drop by 14-31% during April 16-30 from the previous fortnight.

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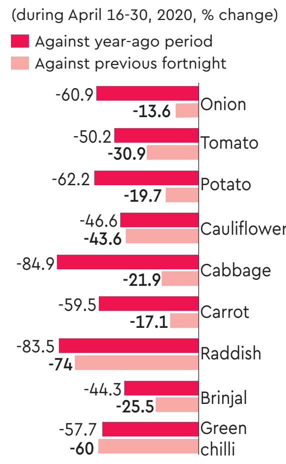
Mandi arrivals of vegetables in Delhi
(during April 16-30, 2020, % change)



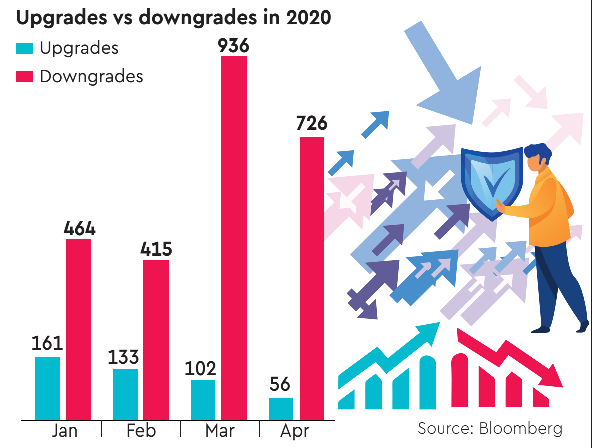
Odisha may slash Kalia aid, merge scheme with PM-Kisan, Page 3

Pandemic fallout Chirag Madia

Downgrades rise, no let-up seen

At 21 downgrades a day between January and April, Corporate India's finances continue to stay under pressure. With the coronavirus pandemic disrupting businesses, many more companies could default in the days to come.

Upgrades vs downgrades in 2020



MIGRANT WORKERS

Panel opposes minimum wage cap move

SURYA SARATHI RAY
New Delhi, May 3

THE CENTRE'S BID to arrogate to itself the power to fix the wage floor for inter-state migrant workers in the name of uniformity across the country has hit a hurdle. If any state government wants to set minimum wages higher than prescribed by the Centre for inter-state migrant workers, it should be free to do so, the parliamentary standing committee on labour opined as it studied the labour code on occupational safety, health and working conditions (OSH Code).

While inter-state workers are constitutionally under the central list, over the last few years, as inter-state migrations of unskilled labour intensified, several states have begun to take care of such workers settled in their respective states by their inclusion in the food security net and administer various welfare schemes for them, including affordable housing.

Continued on Page 2

WORK FROM HOME

Office space demand may see sharp fall

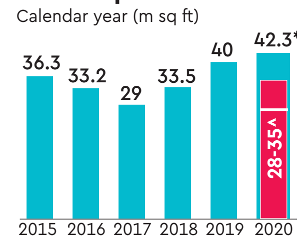
RISHI KALA
New Delhi, May 3

DEMAND FOR OFFICE space could fall sharply over the next two years as the economy remains in slow gear and more companies ask employees to work from home. What's more, rentals too could see a dip, as businesses look to conserve cash. Foreign firms, especially US-based IT/ITeS companies, are among the biggest occupiers of office space with a share of almost 45%. Experts say their strategies would have a big bearing on the trend in rentals.

Anarock Property Consultants projects the space rented could fall by anywhere between 17 and 34% in 2020 which means about 28-35 million sq ft of space could go abegging. Before the outbreak of the pandemic, Anarock had estimated demand could be in the region of 42.3 msf, compared with about 40 msf in 2019.

Continued on Page 2

Office space demand
Calendar year (m sq ft)



*Estimate; ^Revised Estimate
Sources: Anarock Property Consultants

QuickPicks

Redemptions under credit risk funds down 81.5%: Amfi

AMFI ON Sunday said net redemptions under credit risk funds have plunged by over 81% after the RBI's special liquidity measure of ₹50,000 for mutual funds, reports **PTI**. There is an 81.5% drop in net redemptions in the credit risk funds category on April 30 from the peak net redemptions as on April 27.

NITI member Paul says rise in Covid cases may stabilise soon

THE CONTINUOUS rise in the number of people testing positive for coronavirus is expected to stabilise sometime soon, NITI Aayog member VK Paul said on Sunday, reports **PTI**. In an interview to **PTI**, Paul said a sudden spurt in number of cases is still amenable to containment strategy.

E-ADDA

Key Covid strategist, AIIMS chief Guleria is guest today

EXPRESS NEWS SERVICE
New Delhi, May 3

AS INDIA APPROACHES the end of a 40-day national lockdown and negotiates a staggered exit, some key questions sharply frame its fight against Covid 19: Are we prepared for a possible surge in cases if curbs are eased? What does containment mean when people start moving more between districts and states? Do we have enough beds, paramedical staff, intensive care units and ventilators to face a possible spike? How much testing is optimal and do we have enough kits? What's the new normal?

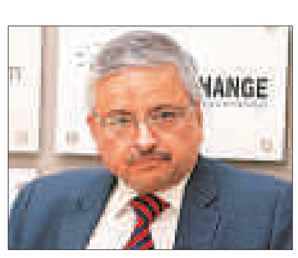
There is no better person to address these questions than Dr Randeep Guleria, director, All India Institute of Medical Sciences, the country, who is closely involved in building strategies for prevention, containment, and management of Covid-19 in India. *The Indian Express* will host its second online Express Adda with Dr Guleria, also internationally renowned pulmonologist, on Monday, May 4. The e-Adda will be moderated by Ravish Tiwari, Political Editor, and Kaunain Sheriff M, Principal Correspondent.

Dr Guleria is part of the core team of top officials reviewing and monitoring the pandemic in the country. He heads the Clinical Research Group of the National Task Force for Covid-19. He is also a member of the empowered group constituted by the government to track the availability of facilities and critical care training and heads a team that runs the National Tele-consultation Centre at AIIMS, connecting doctors across the country in real-time for the treatment of patients.

In an interview with *The Indian Express* earlier, he had earlier underlined that although the number of positive cases had not skyrocketed compared with other countries, India should not sit back.

Continued on Page 2

The Indian EXPRESS E-ADDA
Associate Partner
SGT UNIVERSITY



Dr Randeep Guleria

From the Front Page

After dull Q4FY20, India Inc braces for more pain

WIPRO, TOO, highlighted several concerns, including instances of clients reducing budgets, cutting discretionary spends, pricing discounts, restructuring existing IT spends and even extended payment terms. The pressure on prices would not be limited to the IT space, but would be seen across sectors as purchasing power falls and companies attempt to push through volumes. Indeed, the chunky ₹3,000-crore pandemic-related provision made by Axis Bank suggests there's plenty of pain ahead.

While lockdown has obviously derailed growth, the fact is the economy was slowing well before this. Adani Power, for instance, reported a consolidated net loss of ₹1,313 crore for Q4FY20, mainly due to higher operating costs though total income slipped to ₹6,328 crore, a fall of about 20% y-o-y. The steep drop in prices of some commodities — crude oil especially — has resulted in players like Reliance Industries missing profit estimates, thanks to a ₹4,270-crore inventory loss. However, the fall will benefit user industries and companies like the aviation sector.

While sluggishness in sales was seen, across a host of goods and services, even in the first two months of the quarter, the inactivity in the last ten days of March exacerbated the earnings. Surprisingly, analysts still have a fairly robust growth estimate for 2020-21 at 20-25% although since February 1, these have dropped off by about 11%.

Credit Suisse believes that at this stage the consensus 20-25% annual growth in the index EPS is at odds with the risk of a potential GDP decline in FY21, notwithstanding the weak base of FY20. Earnings estimates for metals and industrials have seen steepest cuts while financials and energy have dominated the fall in the index EPS.

Producers of building materials, analysts say, will continue to see a fall in volumes through 2020. Volumes at cement producer Ambuja Cements declined 10% y-o-y during the quarter, driving down revenues by down 3% y-o-y; at ACC, volumes fell by 12% y-o-y while revenues dipped 11% y-o-y. While construction activity would be badly impacted going ahead, analysts believe consumption on staples will bounce back relatively soon. HUL's volumes fell a sharp 9% y-o-y but this was primarily due to problems with the supply chain and retail outlets being closed, analysts said.

Lockdown effect: States' tax receipts shrink nearly 80% in April, May could be worse

THOUGH THE states' dependence on OTR and transfers from the Centre vary widely among states, in the aggregate, OTR constitutes 62% of states' tax revenue and the balance 38% come from share in central taxes. With no/minimal activity since lockdown began on March 24, OTRs have dried up. State GST is roughly 43.5% of OTR (around 30% of total tax revenue), while other major OTR components are sales tax/VAT on petroleum, state excise on alcohol and proceeds from stamp duty registration fees.

"There is a collapse of state finances. With the battle against Covid-19 going on, the Centre should opt for additional borrowings or borrow from the Reserve Bank of India (to monetise its fiscal deficit) and make money available to the states," Kerala finance minister TM Thomas Isaac told FE. The state has collected only about ₹200 crore or a measly 6% of the target of ₹3,500 crore its monthly OTR target in April. Against S-GST of ₹1,766 crore collected in April 2019, the collection during April 2020 was just ₹161 crore, reported a Facebook blog. Weak revenues forced the state to use up 91% of its Q1FY21 market borrowing quota of ₹6,500 crore in the first instance of state development loan (SDL) auction on April 7.

Bihar deputy chief minister Sushil Kumar Modi said that with a limited scope to mobilise revenues, the state's fiscal deficit could touch 4% of GSDP in FY21 against the 3% target. He said Bihar's OTR, including S-GST in April, would be about 20% of the collections a year ago. "It is hard to see how we can raise taxes once the pandemic is over as businesses would need more support and higher taxation would defeat the purpose of revival," Modi said.

Several state chief ministers, including Chattisgarh's Bhupesh Baghel, have demanded that the FRBM-mandated fiscal deficit ceiling be raised from 3% of GSDP to 5% for FY21 to enable them to borrow more funds. As per state budgets, their combined fiscal deficit stood at 2.4% of GSDP in FY19, the target (BE) for FY20 was 2.6% (actuals to be higher) and FY21 may turn out to be one of the worst in this regard.

Uttar Pradesh, the most populous state of the country, could collect only 15% of the ₹13,591 crore estimated in April. "We are trying to devise some strategy to prioritise spending," a senior Uttar Pradesh government official said, on condition of anonymity.

Odisha, a revenue-surplus state thanks to rich mineral resources, could garner only around ₹1,100 crore revenue (around 20% of the target for the month) in April, while its monthly fixed cost towards salaries, pension and interest is ₹3,000 crore. The Centre's tax devolution of ₹2,100 crore for April helped the state. "After reviewing finances for Q1, we may approach the Centre for some relief, including relaxations in fiscal deficit limit," Odisha finance secretary Ashok Meena said.

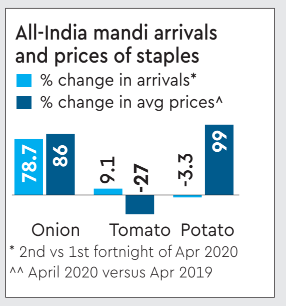
Himachal Pradesh netted only ₹40 crore revenue in April compared to ₹450 crore a year ago. Central tax devolution and revenue deficit grant enabled it to stay afloat. "We are now doing simulations on how to manage state finances if we don't get budgeted revenues," Himachal finance secretary Prabodh Saxena said.

While the Centre's decision to adhere to the tax devolution as per Budget FY21 plan till January 2021 would come to the states' aid, they are also acutely aware that the Centre will do adjustments of extra transfers in February-March.

For now, normal tax devolutions and the 60% hike in states' ways and means advances (WMA) by the Reserve Bank of India have allowed at least some states to refrain from excessive front-loading of borrowings or resorting to other forms of costly fundraising.

Notwithstanding a massive tax revenue shortfall it is faced with, the Centre is learnt to have decided to stick to the practice of keeping the mandatory transfers to the states from the divisible pool at the same rate as budgeted for FY21, till the 10th instalment due in January.

Supply crisis looms as Azadpur arrivals plunge



THE ARRIVALS of other vegetables also saw up to 74% decline in the second fortnight of April over the previous one. Coronavirus positive cases reported among Aadpur mandi traders have dented the arrivals and transactions.

When compared with the year-ago period, arrivals in the April second fortnight were 45-85% lower, in what showed the extent of supply chain disruption.

Onion and potato prices at Azadpur mandi in April 16-30 period were almost double the level in the year ago-period, but tomato prices were down. It is not clear how much the farmers have benefitted from the higher prices; anyway the large drop in volumes must have offset price gains, if any.

As Delhi's Azadpur mandi is dependent on vegetable supplies from nearby places of Haryana, Uttar Pradesh and other states, the restriction on movement of produce at Sonepat (Haryana) affected arrivals. Besides, there is also a fear after positive cases emerged in the mandi," said Adil Ahmad Khan, chairman of APMC, Azadpur. He asked traders not to spread 'negative news' about the mandi situation as that was pushing back aggregators.

All the fruits and vegetables coming to Azadpur are getting sold, Khan said and added that the demand for these items have gone down considerably following closure of hotels, restaurants, canteens and other establishments. As a trading hub, Azadpur also caters to demands from all the major consuming centres of the northern region, all of which have also been severely affected. The APMC has been enforcing social distancing by regulating trucks movement through coupon system while sanitizing the premises regularly.

The local administration has confirmed 17 positive cases of Covid 19 in Azadpur mandi while 43 traders and employees have been quarantined. About 80% of the total retail arrivals of fruits and vegetables in Delhi are routed via Azadpur mandi. As many as 28 shops have been sealed inside the mandi. As a result, the daily arrivals have fallen to about 5,000 tonne on May 2 from 7000-8,000 tonne immediately after lockdown was announced in March, mandi officials said. According to consumer affairs ministry data, retail prices of onion, tomato and potato have reduced to Rs 30-31/kg as on April 30 from Rs 38-39/kg on April 1 in Delhi. In the same period the all India average retail prices of potato and tomato were at Rs 20/kg while onion fell to Rs 20/kg from Rs 30/kg.

Data across mandis show only 4.67 lakh tonne of onion crop arrived during March, against 12.11 lakh tonne in the year-ago period. Similarly, arrivals of potato and tomato in March were 6.55 lakh tonne and 1.7 lakh tonne, respectively, against 12.34 lakh tonne and 2.11 lakh tonne, in the same month last year. In April, the arrivals of onion and tomato were nearly at the same level as in the previous month levels while there was drop of nearly 30% (m-o-m) in potato supplies as recorded in mandis.

"The government should think about future as the current restriction has reduced demand for fruits and vegetables. As a result, many farmers have decided to leave the field vacant which will impact the supplies in July since they used to take one vegetable crop between rabi harvest and kharif sowing (1.5-2 months duration). There should be some compensation for these vegetable growers who have not been able to sell their produce due to lack of demand," said Pushpendra Singh, president of Kisan Shakti Sangh.

Office space demand may see sharp fall

SAMANTAK DAS, JLL India's chief economist and head of research, told FE demand was high last year at a record 46.5 msf whereas the supply was 50.9 msf. "We don't expect to see that kind of demand for another three years as per our understanding today," Das said, adding transactions for office space will likely fall in 2020.

Knight Frank India's national director (occupier services) Viral Desai pointed out that in 2008-09, at the time of the global financial crisis, the absorption fell by 34% in 2010 from around 32 msf in 2009 and bounced back to 30 msf in 2011.

"Around 70% of world's working population has been at minimal business activity for the last 2 months. This may continue for another quarter at least so we expect a contraction of demand," Desai said.

Desai also pointed out vacancies are few and supply is limited till 2022. "Grade-A assets will be resilient to corrections in rents at least for the April–June period. "Tenants may re-negotiate terms but a significant drop in rentals is unlikely, given possible delays in construction," Desai said.

JLL's Das observed that while landlords may not be under too much pressure yet to lower rents, businesses are trying to recalibrate their cash flows and could re-negotiate the terms asking for a three-month holiday or a revenue-sharing model.

Panel opposes minimum wage cap move

IF THE Centre's proposal is implemented, it would have also put a check on such migrations, as the wide differences in wages among states is often behind movement of people form one state to another. Of course, the actual wages in some states are even higher than minimum wages set by governments, so the lure of wage differential would not have completely gone away.

"As regards drawing of wages not exceeding the amount notified by the central government from time to time relating to the inter-state migrant workers, some stakeholders, particularly the state government of Kerala suggested that after the word 'central government', the word 'appropriate government' and after the word 'time to time' the word 'whichever is higher' may be inserted. The (Labour) ministry's response that "the provision has been kept for the purpose of uniformity" does not convince the committee because if the suggestion (of states like Kerala) is incorporated it would imply that higher wages, as may be notified either by the central government or by the state government, would be paid to the inter-state migrant workers," the standing committee said in its report submitted to Lok Sabha.

The standing committee's views are not binding on the Centre, but may still carry considerable weight as several state governments also hold the same view.

The parliamentary panel, headed by BJD MP Bhartruhari Mahtab, also proposed that a separate chapter be included in the code for migrant workers, as against the proposal of merging the sections related to them with those for contract workers, to have greater clarity on the health and safety aspects of such workers.

As per the data collected by the government, around 23 lakh migrant workers are now stranded at different places in the country, in various relief camps organised by state government authorities or by their employers or in localities where they are generally clustered. Last week, the centre started running special trains to transport these workers back to their respective states and thousands of workers have already boarded such trains in Telangana and Kerala.

India's strict lockdown measures, such as severing transport links, have taken a toll on the nation's estimated 100 million migrant workers, triggering an exodus from cities where they worked in garment factories, building sites and brick kilns, Reuters reported recently. Obviously, inter-state migration has risen in recent years. The data on migration by last residence in India as per Census 2001 shows that the total number of migrants has been 314 million. Out of these migrants by last residence, 268 million (85%) has been intra-state migrants, those who migrated from one are of the state to another. Some 41 million (13%) were inter-state migrants and 5.1 million (1.6%) migrated from outside of the country.

The Inter-state Migrant Workmen (Regulation and Employment and Conditions of Service) Act, 1979, to be subsumed with OSH Code, seeks to entitle a migrant worker to get no less than the amount the Centre fixes under Minimum Wages Act of 1948 as wages for their works. The minimum wages, as notified by the Centre in October 2019, for unskilled agricultural worker and industrial workers are now ₹347/day and ₹403/day, respectively.

In the draft Bill, tabled in the Lok Sabha in July 2019, the labour ministry has proposed to broaden the definition of migrant workers to include those who are employed by the employers other than just contractors as at present, but said one would not fall in the category of migrant workers if she draws a higher wage than the amount notified by the Centre from time to time.

The Minimum Wages Act, 1948, empowers the Central and state governments to fix and revise the minimum rates of wages payable to workers in scheduled employments. Under the Act, the Centre fixes minimum wages for 45 scheduled employments in the central sphere such as the establishments under the authority of central government, railway administrations, mines, oilfields and major ports. Employments other than the scheduled employment for Central Sphere come under the purview of the state government and accordingly state government wages are applicable in around 385 such employments. Since the respective state governments are also empowered to independently fix minimum wages, disparities between wages in neighbouring states are common.

At present, there are more than 2,000 rates of minimum wages prevalent in the country fixed by both the Centre and the States and the rates vary according to the nature of work and skill levels. (States are free to fix minimum wages above those notified by the Centre for intra-state workers). The minimum wage for construction workers, for example, is around ₹410/day in Uttar Pradesh, while the same is in the range of ₹730-940/day in Kerala.

The labour code on wages, already passed in both houses of Parliament, proposes making minimum wage a statutory right for all workers. The code seeks to empower the Centre to set benchmark minimum wages for different regions across the country. The labour ministry, however, is yet to for notify the minimum wage rates.

Market reliance: Govt in a fix over raising H1 borrowing target

Fiscal deficit will shoot up sharply from the FY21 target of 3.5% of GDP, a source told FE. Just the tax shortfall in FY21 is expected to be at least ₹2 lakh crore, or 1% of GDP.

The Centre has already decided to front-load expenditure, having pegged its gross market borrowing for the first half at 62.6% — or ₹4.88 lakh crore — of the FY21 budgeted target of ₹7.8 lakh crore, including the repayment of loans. Net market borrowing for FY21 is pegged at ₹5.36 lakh crore.

There is an apprehension that if the Centre raises its borrowing at the moment, it will crowd out the market that is increasingly turning risk-averse and further drive up the cost of funds for cash-starved states who are at the forefront of battling the pandemic, said the source. While Opposition leaders like former finance minister P Chidambaram have suggested that the centre borrow at cheaper rates (because it can) and on-lend to states to help them tide over liquidity constraints, a decision on any such proposal is yet to be made.

As such, on April 7, in the first instance of the auction for state development loans (SDL) this fiscal, nine states had to issue 10-year bonds at yields between 7.80% to 8%. Investors sought a spread of 140-160 basis points above the central government bond yield of 6.4% for the same tenure. Kerala, which offered 15-year securities to raise ₹1,930 crore, would pay as much as 8.96%, the highest rate by any state. While the yields for some states have since eased, these are still too high for comfort.

While the combined fiscal deficit of states in FY20 is seen at breaching the 2.6% (of GDP) target, several states are now asking for the FRBM forbearance in FY21 to raise the deficit to even 5%.

Therefore, a section of the central government believes that any decision to hike market borrowing can be taken around August or September, based on a more precise assessment of the spending requirements and revenue inflows, and the borrowing for the second half may be accordingly calibrated.

Any move to resort to deficit financing by getting the central bank to print more money will be finalised only around October-November, when the government reassesses its finances for the revised estimates for this year's Budget.

Moreover, while the central government may always look at raising its reliance on the National Small Savings Fund (NSSF) window, in sync with the trend in recent years, there is a fear that, given the current income loss, many people will tend to withdraw more from small savings fund, shrinking the net kitty. The NSSF is already projected to finance as much as 30.1% of the deficit in FY21, not far from the record 31.3% in the last fiscal.

The source said, given these issues, the Centre is considering other routes of financing, including borrowing from multilateral institutions like the International Monetary Fund (IMF), World Bank, New Development Bank (NDB) and Asian Development Bank (ADB), more aggressively. ADB has announced that it would extend assistance worth $2.2 billion to India to help it fight the pandemic. Recently, finance minister Nirmala Sitharaman impressed on the NDB to enhance its emergency financing facility. "(NDB) has financial capacity to enhance the emergency facility up to $10 billion for price-related assistance. Therefore, based on the demand from member-countries, this facility should be enhanced," she said.

Online Express Adda: Key Covid strategist, AIIMS chief Guleria is guest today

"We have to be very aggressive in trying to maintain this by containing the spread in a geographical area rather than allowing it to spread," he had said.

Given the constraints of public healthcare infrastructure in India, Dr Guleria had said, "...the strategy for having a lockdown is essential so that we are able to contain the widespread infection and have time to improve our health resources. To my mind, the economic cost of having a huge outbreak is much more in terms of both the cost and the mortality than what we will lose during the lockdown in economic terms. That is why the lockdown makes sense, even though it is causing a lot of strain on the country's economy."

The Express Adda is a series of informal interactions organised by The Indian Express Group and features those at the centre of change. Among the recent guests were Finance Minister Nirmala Sitharaman, Nobel laureates Abhijit Banerjee and Esther Duflo, Chief Economic Advisor Krishnamurthy Subramanian, former UK Deputy Prime Minister Nick Clegg and cancer specialist and Pulitzer Prize-winning author Dr Siddhartha Mukherjee. Last week, the Adda moved online with Dr Arvind Subramanian, former Chief Economic Adviser and Visiting Lecturer at Harvard Kennedy School as the first e-Adda guest.

Moratorium: Banks may give NBFCs a break

THE REGULATOR clarified this after Indian Banks' Association (IBA) reached out to it. At the last meeting of IBA held on April 18, no consensus emerged on granting moratorium to NBFCs. While Bank of India, Bank of Baroda and Indian Bank were in favour of giving moratorium relief to NBFCs, State Bank of India (SBI) had continued to maintain the stance of not providing moratorium, as per sources.

PM holds key meeting on steps for financial sector

"PM ALSO discussed ways and means to ensure financial stability in the wake of COVID-19 and measures taken to enable businesses to recover quickly from the impacts," according to the statement.

Modi also pointed out the need to generate gainful employment opportunities by helping businesses overcome difficulties. He stressed the need to expedite work on new infrastructure projects to make up for the time lost due to the lockdown following Covid-19 outbreak. He wanted the projects taken up under the National Infrastructure Pipeline (NIP) be reviewed at the highest level frequently so as to avoid time delays and enable job creation.

IN SYNC

Odisha may slash Kalia aid, merge scheme with PM-Kisan

PRABHUDATTA MISHRA
New Delhi, May 3

THE ODISHA GOVERNMENT'S direct benefit transfer (DBT) scheme for farmers, Kalia, which was announced a few months before the Assembly elections last year, may be curtailed and subsumed in the PM-Kisan scheme run by the Centre.

The idea is to cut the Kalia support to each farmer to ₹4,000/year from ₹10,000/year as conceived earlier. Under the PM Kisan scheme, a farmer is entitled to receive a sum of ₹6,000 a year.

"When the Kalia scheme was rolled out in January 2019, the Centre did not have the PM-Kisan scheme. Now that PM-Kisan has already covered more than 36 lakh farmers of Odisha, there is no harm in reducing the entitlement under Kalia as the objective is to provide each farmer ₹10,000/year," a senior state government official said.

The state is considering to transfer ₹4,000 to each farmer in two equal installments in a year, the official added.

"Since the state has budgeted about ₹4,500 crore for other schemes in agriculture, dairy and fisheries for this fiscal, some of which are critical to get Centre's 60% share in such schemes, the Kalia scheme has to be pruned," said the official.

However, the state thinks the Centre would do well to curtail the existing schemes and pave the way for universal basic income support (UBIC).

So far, 43 lakh farmers and landless labours have been disbursed ₹5,115 crore in two instalments under the Kalia scheme. Though the state budget has allocated ₹3,195 crore under the scheme for FY21, the actual outgo may be about ₹2,000 crore only after the proposed reduction of disbursal amount to ₹2,000/season, if 50 lakh farmers, share croppers and landless labourers are covered this year.

Under the Kalia scheme (2019-2021), as originally conceived, all eligible farmers/share croppers were to get

The idea is to cut the Kalia support to each farmer to ₹4,000/year from ₹10,000/year as conceived earlier. Under the PM-Kisan scheme, a farmer is entitled to receive a sum of ₹6,000 a year

₹5,000 each before the start of each kharif and rabi season while landless farm labourer will receive ₹12,500 each in 3 installments over 3 years. In May last year, the state had expanded it to 50 lakh farmers (including share croppers) and 25 lakh landless labourers from a total 50 lakh beneficiaries, including 30 lakh small and marginal farmers.

Besides providing interest-free crop loan of up to ₹50,000 to farmers, the state has allocated substantial amount from the agriculture budget on irrigation with a target to bring in additional 1.84 lakh hectares during 2020-21. Around 29% of Odisha's 4.5 million hectare net sown area has assured irrigation, whereas the all-India average is 49%.

HC allows HDFC Bank to deduct Indiabulls' loan instalment from fixed deposit

FE BUREAU
Mumbai, May 3

THE DELHI HIGH Court, in an interim order on May 1, has allowed HDFC Bank to deduct ₹90 crore as a loan instalment from Indiabulls Housing Finance (IHF) fixed deposit which it holds as security.

Indiabulls had earlier filed a writ petition at Delhi HC to restrain HDFC Bank from recovering any loan amount during the moratorium period imposed by Reserve Bank of India (RBI). The banking regulator had, on March 27, announced a moratorium on term loan instalments for three months from March 1,2020. However, several banks have not grant a moratorium to NBFCs.

The company spokesperson for IHF said, "We had filed a writ petition seeking clarity as to whether moratorium is to be extended to NBFCs or not and since a principal payment of ₹90 crore was due to HDFC Bank it was opportune to seek this clarification." The company continue to maintain a strong liquidity buffer but at the same time would not like to dip into the same, so have sought clarity from RBI since banks are unsure whether moratorium is to be extended or not, Indiabulls further said in an email reply to *FE*.

The company spokesperson for IHF said, "We had filed a writ petition seeking clarity as to whether moratorium is to be extended to NBFCs or not. Since a principal payment of ₹90 crore was due to HDFC Bank, it was opportune to seek this clarification."

The court has asked HDFC Bank to obtain instructions on the applicability of RBI circular on moratorium to Indiabulls Housing Finance in the next hearing.

'Biz activities significantly hit; recovery may take over a year'

THE LOCKDOWN HAS brought economic activity to a grinding halt, CII said on Sunday, citing findings from its CEOs survey, which indicated that 65% of the firms expect revenues to fall more than 40% in April-June quarter.

The survey results reveal that the country may experience a protracted slowdown in economic activity, as 45% of the CEOs polled feel it will take over a year to achieve economic normalcy once the lockdown ends. The snap poll saw the participation of more than 300 CEOs, of which nearly two-thirds belonged to MSMEs. **—PTI**

ICICI Home Finance

ICICI Home Finance Company Limited

Registered Office : ICICI Bank Towers, Bandra-Kurla Complex, Bandra (E), Mumbai-400 051.
Corporate Office: ICICI HFC Tower, J. B. Nagar, Andheri-Kurla Road, Andheri (E) Mumbai 400059.
CIN : U65922MH1999PLC120106, Website: www.icicihfc.com, E-mail: secretarial@icicihfc.com

Audited financial results for the year ended March 31, 2020

(₹ in million)

Particulars	Year to date figures for the year ended March 31, 2020	Previous accounting year ended March 31, 2019
	Audited	**Audited**
1. Total Income from Operations	16,698.9	11,601.5
2. Net Profit /(Loss) for the period (before Tax, Exceptional and/or Extraordinary items)	258.9	630.9
3. Net Profit /(Loss) for the period before tax (after Exceptional and/ or Extraordinary items)	258.9	630.9
4. Net Profit /(Loss) for the period after tax (after Exceptional and/or Extraordinary items)	2.8	440.9
5. Total Comprehensive Income for the period [Comprising Profit / (Loss) for the period (after tax) and Other Comprehensive Income (after tax)]	(136.9)	(276.1)
6. Paid up equity share capital	10,987.5	10,987.5
7. Reserves (excluding revaluation reserve)	5,690.3	5,840.7
8. Net worth	16,677.8	16,828.2
9. Paid up Debt Capital /Outstanding Debt	128,656.5	118,434.6
10. Earnings Per Share (of ₹10/-each) (for continuing and discontinued operations)		
1. Basic:	0.00	0.40
2. Diluted:	0.00	0.40

Notes:

1. The above is an extract of the detailed format of annual financial results filed with the BSE Limited under Regulation 52 of the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015. The full format of the annual financial results is available on the websites of the BSE Limited and the Company.
2. The above financial results have been approved by the Board of Directors at its meeting held on May 2, 2020 after review by the Audit and Risk Management Committee.
3. As the Company operates in a single business segment, segment-wise reporting is not applicable.
4. During the period ended March 31, 2020, the Company had not received any complaint from its NCD/Bond investors and there is no investor complaint pending for redressal at the beginning and at the end of the above period. The shares of the Company are not listed at the stock exchange.
5. Credit rating and change in credit rating as on March 31, 2020 - The Company has a standalone issuer credit rating of [ICRA]AAA(Stable) by ICRA. All instrument wise credit ratings by leading rating agencies are as follows:

Instrument	CRISIL	ICRA	CARE
Fixed Deposit	FAAA/Stable	MAAA(Stable)	CARE AAA(FD); Stable
Senior Bonds Non-Convertible Debentures	CRISIL AAA/Stable	[ICRA]AAA(Stable)	CARE AAA; Stable
Subordinate Bonds	-	[ICRA]AAA(Stable)	CARE AAA; Stable
Market Linked Debentures	CRISIL PP-MLD AAAr/Stable	-	CARE PP-MLD AAA; Stable
Commercial Paper	-	[ICRA]A1+	CARE A1+
Long Terms Bank Facilities	-	[ICRA]AAA(Stable)	-

6. Asset cover available: Not applicable as the Company doesn't have any secured NCDs outstanding as at March 31, 2020.
7. Key Ratios :

Particular	As at March 31, 2020	As at March 31, 2019
Debt – Equity Ratio	7.71	7.04
Net worth (₹ in millions)	16,677.8	16,828.2

8. All Payment of interest / repayment of principal of NCDs/Bonds have been made on time and there is no pending dues thereof. Details of due dates of payment of interest & repayment of principal / maturity of NCDs due in the previous 6 months are given below:

i. NCD/Bond details where principal/maturity repayments were made between October 1, 2019 to March 31, 2020:

Sr.	NCD Series	ISIN	Due Dates
1	HDBNV091	INE071G07041	25.11.2019
2	HDBNV092	INE071G08262	25.11.2019
3	HDBFEB183	INE071G08924	26.02.2020

ii. NCD/Bond details where interest payments made between October 1, 2019 to March 31, 2020:

Sr.	NCD Series	ISIN	Due Dates
1	HDBNV091	INE071G07041	25.11.2019
2	HDBNV092	INE071G08262	25.11.2019
3	HDBDEC181	INE071G08957	24.12.2019
4	HDBFEB183	INE071G08924	26.02.2020
5	HDBMAR182	INE071G08940	20.03.2020

9. Pursuant to notification issued by Ministry of Corporate Affairs on Companies (Share Capital and Debentures) Rules, 2014 dated August 16, 2019, the Company being registered as housing finance company with National Housing Bank, is not required to create Debenture Redemption Reserve. However, as per the said rules, the Company, is required to invest or deposit, before April 30 of the financial year, as the case may be, a sum which shall not be less than 15% of the amount of the Debentures issued and maturing during the financial year. The Company, although the circular was issued After April 30, on prudent basis has made the required investment of ₹75.0 million in bank fixed deposits for its NCDs maturing between December 19, 2019 to March 31, 2020. Further, for debentures maturing in the year ending March 31, 2021, the Company invested investments ₹706.0 million in bank fixed deposits. Creation of Capital Redemption Reserve (CRR) is not applicable to the Company.
10. The previous period/ year figures have been regrouped/reclassified wherever necessary to conform to the current year's presentation.

For ICICI Home Finance Company Limited

Anirudh Kamani
Managing Director & CEO
DIN - 07678378

Place: Mumbai
Date: May 2, 2020

MOTILAL OSWAL HOME LOANS

Motilal Oswal Home Finance Limited

(Formerly Aspire Home Finance Corporation Limited)
CIN: U65923MH2013PLC248741
Regd. Office: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel S T Depot, Prabhadevi, Mumbai - 400 025, Maharashtra, India.
E-mail: hfquery@motilaloswal.com; Website: www.motilaloswalhf.com;
Tel: +91 22 4718 9999 / 6272 9898; Fax: +91 22 5036 2365

NOTICE OF SEVENTH ANNUAL GENERAL MEETING

Notice is hereby given that:

A) ANNUAL GENERAL MEETING:

The **Seventh Annual General Meeting ("AGM")** of the Members of Motilal Oswal Home Finance Limited ("the Company") is scheduled to be held on **Tuesday, May 26, 2020 at 4.00 p.m.** at Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai - 400 025, to transact the businesses as set out in the Notice of the AGM.

The Notice of the AGM along with the Annual Report for FY 2019-20 have been sent to the Members in electronic form to the Email IDs registered with their Depository Participants (in case of electronic shareholding) / the Company (in case of physical shareholding). Due to COVID 19 pandemic, the Company has dispatched Notice of AGM along with the Annual Report in electronic form only and is also made available on website of the Company at www.motilaloswalhf.com and website of Link Intime India Private Limited ("LIIPL") at https://instavote.linkintime.co.in. For Members whose Email IDs are not registered, physical copy of the Notice along with the Annual Report will be sent, if requested by the shareholder, by permitted mode once the pandemic is under control. The copies of the aforesaid documents are available for inspection at the Registered Office of the Company on all the working days, except Saturdays, Sundays, public holidays and any other day on which restriction is imposed by the Government, between 11.00 a.m. and 1.00 p.m., upto the date of the AGM.

B) REMOTE E-VOTING:

In compliance with the provisions of the Section 108 of the Companies Act, 2013 ("the Act") read with the Rules made thereunder and other applicable provisions of the Act, Secretarial Standard on General Meetings ("SS-2") (as amended from time to time), the Company has also provided the facility to the Members to cast their votes on the resolutions set out in the Notice of the AGM, by Remote e-voting (e-voting from a place other than venue of the Meeting) facility. Necessary arrangements have been made by the Company with LIIPL to facilitate Remote e-voting. The instructions for Remote e-voting are given in the Notice of the AGM. The details are given hereunder:

- The Member whose name appears on the Register of Members / Beneficial Owners maintained by the Depositories as on cut-off date i.e. Tuesday, May 19, 2020 will only be considered for the purpose of Remote e-voting or voting at the AGM through Ballot Paper. Person(s) who is not Member as on record date should treat the Notice of the AGM for information purpose only.
- The Remote e-voting facility commences on Saturday, May 23, 2020 at 9:30 a.m. (IST) and ends on Monday, May 25, 2020 at 5:00 p.m. (IST). The Remote e-voting shall be disabled by LIIPL after aforesaid period.
- Any person who becomes a Member of the Company after dispatch of the Notice of the AGM and holding shares as of the cut-off date may write to LIIPL on the e-mail ID i.e. enotices@linkintime.co.in requesting for the User ID and password. If the Member is already registered with LIIPL for e-voting, the Member can use the existing User ID and password for casting their vote through Remote e-voting. The detailed procedure pertaining to the User ID and Password is also provided in the Notice of the AGM.
- The Members attending the AGM should note that those who are entitled to vote but have not exercised their right to vote by Remote e-voting, may vote at the AGM through Ballot Paper on the resolutions set out in the Notice of the AGM. The Members who have exercised their right to vote by Remote e-voting may attend the AGM but shall not vote at the AGM.
- In the event of any grievance relating to Remote e-voting, the Members may contact the following:
  Mr. Shailesh Mhatre, Associate - Technology Group, LIIPL, C-101, 1st Floor, 247 Park, Lal Bahadur Shastri Marg, Vikhroli (West), Mumbai - 400 083,
  E-mail: enotices@linkintime.co.in, Helpdesk: 022 4918 6000.

For Motilal Oswal Home Finance Limited
(Formerly Aspire Home Finance Corporation Limited)
Sd/-
Ritin Mawani
Company Secretary & Compliance Officer
ACS: 50900

Place: Mumbai
Date: May 3, 2020

AU Small Finance Bank Limited

(CIN: L36911RJ1996PLC011381)
Registered Office:- 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur 302001, Rajasthan (INDIA)
Tel : +91-141-4110060, Fax No : +91- 141-4110090 Website : www.aubank.in

Audited Financial Results for the quarter and year ended March 31, 2020

(₹ in Lakhs)

S. No.	Particulars	Quarter ended March 31, 2020 (Audited) (Refer Note 3)	Quarter ended March 31, 2019 (Audited) (Refer Note 3)	Year ended March 31, 2020 (Audited)	Year ended March 31, 2019 (Audited)
1	Total Income from Operations	1,36,659.71	1,00,744.01	4,99,197.63	3,41,103.98
2	Net Profit for the period (before Tax, Exceptional and Extraordinary items)	16,521.44	17,644.47	91,397.52	58,013.00
3	Net Profit for the period before tax (after Exceptional and Extraordinary items)	16,521.44	17,644.47	91,397.52	58,013.00
4	Net Profit for the period after tax (after Exceptional and Extraordinary items)	12,232.37	11,823.61	67,478.45	38,180.68
5	Total Comprehensive Income for the period [Comprising Profit / (Loss) for the period (after tax) and Other Comprehensive Income (after tax)]	Refer Note 2	Refer Note 2	Refer Note 2	Refer Note 2
6	Equity Share Capital	30,412.33	29,235.75	30,412.33	29,235.75
7	Reserves (excluding Revaluation Reserve)	4,07,268.78	2,87,053.34	4,07,268.78	2,87,053.34
8	Earnings Per Share (of Rs. 10/- each) (for continuing and discontinued operations) - ((before and after exceptional item) (not annualised))				
	1. Basic:	4.03	4.05	22.78	13.16
	2. Diluted:	3.97	3.98	22.32	12.90

Notes:

(i) The above is an extract of the detailed format of quarter and year ended Financial Results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. The full format of the quarter and year ended Financial Results are available on the websites of the Stock Exchange, www.nseindia.com and www.bseindia.com and of the Bank www.aubank.in.

(ii) Information related to the total comprehensive income and other comprehensive income are not furnished as Ind AS is not yet made applicable to Bank.

(iii) The figures of the last quarter in each of the year are balancing figures between audited figures in respect of full financial year and the unaudited published year to date figures up to the third quarter of the respective financial year.

For AU Small Finance Bank Limited

Sanjay Agarwal
Managing Director & CEO

Date : May 2, 2020

Infrastructure

EXPERT VIEW

Sluggishness in economic activity was evident in FY20, with all segments, save mining (up ~39% y-y) recording lower project announcements. Awarding iwas down ~38% y-y to ~₹2 trn. FY20 awarding also lagged the past-five-year average of ~₹3 trn

—Anand Rathi

DRAFT ELECTRICITY (AMENDMENT) BILL 2020

Proposals brighten outlook for sector

While the draft Bill which seeks to increase private participation and address key issues has been welcomed by industry, more clarity is needed on some of its provisions

ANUPAM CHATTERJEE

THE DRAFT ELECTRICITY (Amendment) Bill 2020, unveiled last month by the Ministry of Power, has been welcomed by power distribution companies even as they await more clarity on the implementation of some of its provisions. Experts hold that by side-stepping contentious issues and focussing on critical concerns impacting the sector, the government has helped the prospects of the Bill being passed by Parliament soon.

This is important because two draft versions of amendments to the Electricity Act of 2003 floated by the Union power ministry in 2014 and 2018 failed to become law. The amendments have been framed keeping in mind the "few critical issues which have weakened commercial and investment activities in the electricity sector and need to be addressed immediately to ensure sustainable growth of the country", the government said while unveiling the proposals.

"These amendments were essential since the electricity sector has been evolving with increasing non-government investments and structural changes throughout the value chain," ICICI Securities has said in a recent note.

Experts agree that 'doability' has guided the scope of the amendments that the government has proposed, with reforms included in the earlier draft that evoked opposition having been dropped. To take one example, the provision for separation of 'carriage and content', which would have segregated the business of operating local transmission systems from the distribution of electricity — effectively allowing end-consumers to choose who they want to buy electricity from, similar to the way telecom and direct-to-home television operators work— is not present in the new amendment Bill.

"The clauses in the draft amendment Bill are far more relevant to the times we live in and the challenges thereof," says Devtosh Chaturvedi, managing director, Feedback Energy Distribution Co (Fedco). His comment needs to be viewed in the context of the draft amendments pushing for greater participation of private players in the sector. The Bill has introduced the concept of a 'distribution sub-licensee', which would allow a state-run discom to authorise a 'distribution sub-licensee' to distribute electricity in an area, without the latter requiring a separate licence. It has also improvised on the existing concept of a 'distribution franchisee'—whose functions are similar to those of a distribution sub-licensee—and mandated that such an entity would not need separate approval from state regulators.

While welcoming the initiative, Ganesh Srinivasan, CEO, Tata Power Delhi Distribution Ltd, tells *FE*, "we are waiting for more clarity on the revenue and compensation mechanism envisaged for sub-licensees and franchisees. Also, the distinction between the operational aspects of franchisees and sub-licensees is not very clear yet."

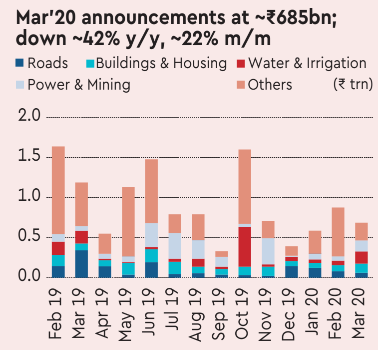
Among the other major changes proposed are provisions for removal of regulatory assets (recoverable discom expenses which regulators acknowledge as pass-through costs, but which are not immediately built into tariffs), strengthening of payment security mechanisms and the incorporation of a separate renewable energy policy. To address payment-related disputes, the draft Bill proposes to establish an Electricity Contract Enforcement Authority. TPDDL's Srinivasan holds that "the exact jurisdiction of the new Authority will have to be clearly defined or there is a risk of the already complex regulatory process becoming more tedious".

DATA MONITOR

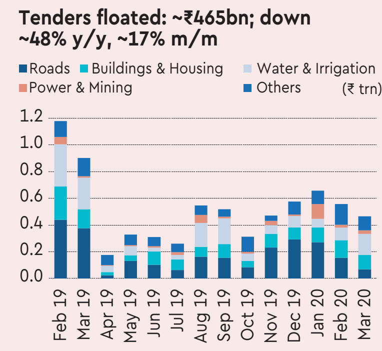
Project activity took a serious hit in March

Project announcements shrank by ~36% y-y to ~₹10.9 trn in FY20. Investment proposals of ~₹685 bn for 485 projects announced in Mar'20 were down ~42% y-y, apparently the fallout of Covid-19. In all, 1,885 tenders worth ~₹465 bn were floated in Mar'20, down ~48% y-y. At ₹176 bn across 223 projects, awarding in Mar'20 was down ~22% y-y.

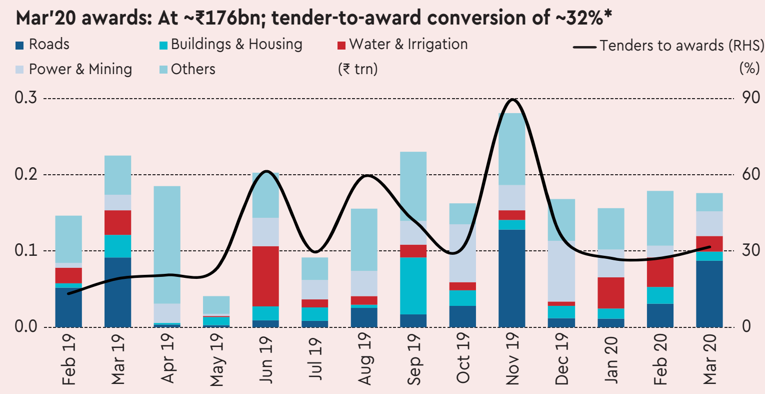
Mar'20 announcements at ~₹685bn; down ~42% y/y, ~22% m/m



Tenders floated: ~₹465bn; down ~48% y/y, ~17% m/m



Mar'20 awards: At ~₹176bn; tender-to-award conversion of ~32%*



Source: Projects Today, Anand Rathi Research *Awards for current month/tenders published for preceding month

Quick View

Infra development vital to growth, says NIP task force report

DESCRIBING INFRASTRUCTURE DEVELOPMENT as an enabler for growth, a finance ministry-constituted task force has observed that creating new and upgrading existing infrastructure projects with ₹111 trn of investment will be key to raising India's competitiveness and making it a $5-trn economy by 2025. It will especially be critical for the success of the Make in India programme, as manufacturing competitiveness is hinged on infrastructure, said the final report of the task force, submitted to Finance Minister Nirmala Sitharaman on Wednesday. The report further said that supply additions through infrastructure development would boost short-term as well as the potential rate of GDP growth. The task force to draw up the National Infrastructure Pipeline (NIP), headed by Economic Affairs Secretary Atanu Chakraborty, projected total infrastructure investment of ₹111 trn from 2019-20 to 2024-25.

Average spot power price hits low of ₹2.36 a unit

AVERAGE SPOT POWER price has remained as low as ₹2.36 per unit on the Indian Energy Exchange (IEX) during the lockdown period. The IEX has witnessed heightened activity among discoms since the beginning of the lockdown, according to a statement by the Exchange. It stated that with a decline in peak demand of almost 25%, the exchange has witnessed high sell-side liquidity, at almost 2.7 times the demand side, which is helping keep the price in the market under check. The average price in the IEX day-ahead market had been as low as ₹2.36 per unit during the March 24-April 20 period, the statement added.

4 slurry pipeline projects worth ₹8k cr to be executed

THE MINISTRY OF Steel has identified four slurry pipeline projects worth over ₹8,000 crore to be implemented over financial years 2020-2025, the task force to draw up the National Infrastructure Pipeline (NIP) has said in its report. Three projects worth ₹5,441 cr are to be implemented through the public-private partnership (PPP) route, while one project worth ₹2,784 crore is to be executed under the EPC mode.

Startups

INTERVIEW: BHASKAR MAJUMDAR, Managing Partner, Unicorn India Ventures

Investors have already started changing their strategy

These are tough times for businesses of all sizes, and especially startups for whom it could take six to nine months to get things back on track. Cash flows will be tight and they may also experience delay in the investment cycle, but this is a temporary phase, says **Bhaskar Majumdar**, *managing partner, Unicorn India Ventures (UIV), a Mumbai-based fund house. "Overall, digital businesses will get a fillip," he tells* **Sudhir Chowdhary** *as he shares his understanding on the Covid-19 impact on startups and how they can get VC funding in these turbulent times. Excerpts:*

How has Covid-19 changed the startup investment climate?

The outbreak has brought about a shift in the way businesses function, consumers behave and economies grow. On the investment climate front, investors have already started changing their strategy. We would be more interested in evaluating business models which are digitising current processes focused on problem areas like supply chain, affordable medical services, fintech, e-gaming/e-sports, government technology. Other investors would also look at business ideas where technology is being used to take an existing business from 'hi-touch to hi-tech', what is referred to as 'social distancing tech'. Going forward, we will see less face-to-face interaction, few people in public events and a paradigm shift in the way we live our lives and interact.

What business metrics UIV is paying attention now?

We hope to continue our track record of identifying innovative business models with faster scalability.

We recently reached first close at $12 million of our Fund II which was announced last year. The total fund size is ₹400 crore and it saw participation from family offices and investors from first fund.

The metrics is that there should be a clear path to profitability for the companies. We are staying away from businesses that need constant capital to keep the growth engine going in terms of customer acquisition. Our focus has always been on B2B SaaS and on B2B digital platforms.

What kind of companies will VCs now look at to invest in?

The job of VCs is to invest and there is enough dry powder in the ecosystem. However, VCs will take longer to close deals, there will a slump in valuations and smaller deal sizes will happen, especially in the early stages. Sectors like healthcare, pharma, cyber security, fitness, edutech, etc., will see significant growth amidst the crisis as enterprises will look for platforms which can digitise interaction. The digitalisation thread will run right across sectors and collaborative platforms which enable distributed working will be in vogue.

What support strategies has UIV implemented so far?

We have had detailed discussions with our portfolio to understand their issues and the support they expect from us. Additionally, we have asked them to conserve cash, cut down all non-essential expenses, delay new product roll-outs, focus on increasing the runway and aggressively collect outstanding payments owed to them.

The government should look at measures like relaxing GST inflows and outflows for startups. The UK government has given 2,50,000 pounds to all SMEs and are encouraging banks to extend loans without promoter guarantee. Something like this can also be done in India.

What measures should startups adopt to weather this storm?

First and foremost, limit your burn and preserve the cash that you have raised to see you through these times. Startups may consider slashing management salaries or even a uniform salary cut across the board, or working on a four-day workweek that will save 20% salary costs. This may limit layoffs, at least in the short term.

Startups should take a relook at existing business roles, as remote working is the only option during the lockdown. For example, role of head of talent can be shifted to head of remote experience. Startups need to adapt their core business models to the current situation.

FUND RAISE

Keeping the customers secure and protected

Indusface raises $5 million growth equity capital from Tata Capital Growth Fund II

FE BUREAU

IN THIS RAPIDLY changing scenario, as more and more businesses accelerate digitalisation of their operations via web applications, cloud-based managed application security solutions like ours are projected to be in huge demand," says Ashish Tandon, founder & CEO of Indusface.

Recently, this fast-growing application security SaaS startup, that helps businesses protect their web and mobile applications, secured $5 million in funding from Tata Capital Growth Fund II to accelerate global customer acquisition and product innovation plans. "We are delighted to partner with a trusted brand like the Tata Capital Growth Fund and look forward to leveraging their global outreach and expertise in executing our growth plans rapidly," he said.

Tata Capital Growth Fund (TCGF) II invests in companies that can be segmented under three themes—urbanisation, discrete manufacturing and strategic services. These fast growing companies benefit from the synergies and networks that the Tata Group and the team will provide. TCGF family of funds have created a niche in terms of identifying companies that are well-positioned to redefine or create large new markets, with notable investments such as Star Health & Allied Insurance, Sai Life Sciences and Home First Finance Company, to name a few. Post the transaction, Pramod Ahuja, partner, Tata Capital Growth Fund, will join the Indusface board of directors.

> Our solutions secure thousands of customer applications globally by detecting security risks and protecting them from being hacked.
>
> — ASHISH TANDON, FOUNDER & CEO, INDUSFACE

Akhil Awasthi, managing partner, Tata Capital Growth Fund, said, "We believe that the cyber security market will continue to see significant growth as securing digital assets becomes a priority with the increased salience of digital business processes."

Indusface solutions secure thousands of customer applications globally by detecting security risks and protecting them from being hacked. At the heart of the Indusface solution is a cloud based security platform built using its proprietary Web Application Security Scanner and a dynamic Web Application Firewall, integrated with an intelligent global threat information engine and managed by security experts.

Quick View

Core sector output fell by 6.5% y-o-y in March, FY20 growth at 0.6%

THE OUTPUT OF the eight core infrastructure industries shrank by 6.5% y-o-y in March due to a fall in the production of crude oil, natural gas, refinery products, fertiliser, steel, cement and electricity amid the coronavirus lockdown. The eight core sectors had expanded by 5.8% in March 2019. Production of crude oil, natural gas, refinery products, fertiliser, steel, cement and electricity contracted by 5.5%, 15.2%, 0.5%, 11.9 %, 13%, 24.7% and 7.2%, respectively, in the month under review, official data showed last week. The growth rate for coal production declined to 4.1% in March from 9.1% in March 2019. The April-March 2019-20 period saw the core industries recording 0.6% growth, as against 4.4% in 2018-19. The core sector output comprises 40.27% of the Index of Industrial Production (IIP).

Discoms to get ₹90,000 cr of credit in lieu of reforms

A FRESH LOAN of ₹90,000 crore is being extended by sector-specific lenders PFC-REC to the state-run power distribution companies, but with definite riders meant to ensure the facility improves the functioning of the cash-strapped entities, *FE* reported last Friday. According to sources, the fresh funding would be done in two tranches of ₹45,000 crore each. The release of the first component of the loan will be contingent on a state government undertaking to clear the dues of its discom in three years, and putting in place a credible mechanism to release subsidies – meant for the consumers but routed through the discoms – in advance.

Domestic air traffic down 11.8% y-o-y in March: IATA

INDIAN DOMESTIC AIR passenger traffic fell by 11.8 % y-o-y in March, indicating the impact of COVID-19 on the country's aviation sector, stated global airlines body IATA on Wednesday. India has been under a lockdown since March 25, with all commercial passenger flights being suspended. The IATA, which represents around 300 airlines, said despite the fall in traffic, India, besides Russia, represented a resilient outcome in the month compared to other countries. Global passenger traffic dived 52.9% compared to the same period a year ago, it said.

Education

MONDAY, MAY 4, 2020

EXPERT VIEW

(During Covid-19 lockdown) it's important people keep physical activity going ... We have found that they (children) are much less active on non-school days of weekends, holidays; our concern is they are missing out not only in education but also in activity.

—Prof John Reilly, University of Strathclyde

Rethinking how we teach

We are gradually moving towards regular upskilling, personalised learning

VIKRAM CHAUDHARY

ILLUSTRATION: SHYAM KUMAR PRASAD

THE COVID-19 LOCKDOWN is changing education delivery like never before; it has also given educators time to rethink the sector, rethink how we must educate now, and in the future. Some of the solutions we are gradually moving towards are personalised learning, constant upskilling, and greater collaboration between traditional education providers and edtech players.

Webinars are the new normal, and at last week's webinar on 'Education in the Post-Covid World' organised by Simplilearn, a provider of digital skills training, and LEAD School, an edtech firm, eight major thrust areas for edtech emerged:

Adaptability: Education 4.0 has commenced with schools having to adapt to the needs of the learner—where curriculum developers, trainers, teachers and tech players will have to understand the best way to meet the learner's requirements.

Support from ecosystem: All stakeholders in education—parents, teachers, trainers, schools, institutions and government—have to help each other in creating an enabling environment for learners.

Enabling technology infrastructure: Data and device are the most important infrastructure today. Government schools especially will have to look at supporting their students who currently lack the tech support to continue with their education. In this regard, the government can consider channelling the allocation for midday meals (food for body) to providing data and device (food for the mind).

Partnerships: Edtech firms who have the technology to customise curriculum, improvise new learning techniques and engage learners will see a surge in demand from educational institutions.

Upskilling to scale: With remote functioning becoming a new normal, more companies are investing in cloud services, cybersecurity and other areas, and hence they will be on the lookout for more professionals in this space. The workforce will need to upskill itself significantly, especially in technology-based skills.

Affordability of edtech: With the proliferation of edtech, there will be an increase in its affordability. Consumers will realise the value per dollar that online learning is providing, and will be more willing to pay for it.

Personalised learning: Curriculum developers and education providers will move away from one-to-many to one-to-one education.

Reorganisation of schools: There will be marked difference in the way academic institutions will function upon the return of normalcy. At school level, everything from transportation, school assembly, classroom seating, joint exercises and uniforms will have to be relooked at to factor in social distancing norms.

Link materialism with spiritualism

VINAY KUMAR DUTTA

DURING THE Covid-19 pandemic, many people are thinking how to converge materialism with spiritualism. Are they intimidated, or truly inspired to embrace spiritualism?

Humans are materialistic. This breeds greed in them. But money cannot buy happiness. On the contrary, people with a spiritual perspective try to find the true meaning of life through spiritual intelligence (SI), a term used to indicate spiritual parallels with intelligence quotient (IQ) and emotional quotient (EQ).

Spiritualism is often confused with religion. Religion refers to communally held beliefs and tends to be associated with an institution. Spiritualism is more individualistic, extending to all facets of a person's life, economic as well as psychic.

The Covid-19 pandemic has triggered the pursuit of spiritualism in those with materialistic tendencies. They are realising that materialism and spirituality can coexist. People have become less conspicuous and wasteful in their consumption, and are willingly sharing their possessions with those in need. Covid-19 is an eye-opener for people with materialistic inclinations. It's likely to change most existing belief systems.

The author is professor, FORE School of Management, New Delhi

Edtech apps with a twist

Apps that have unique offerings or unusual ways of offering solutions

SUNITA GANDHI

WHILE MANY EDTECH apps focus solely on providing supplementary educational experience, there are some that go beyond the classroom and provide a more holistic learning experience to students and working professionals. Here are a select few:

Cambly: Founded in 2012 by Kevin Law and Sameer Shariff, former Google employees, Cambly provides a platform through which individuals interested in learning English can interact directly with native language tutors—from the UK, the US, Canada, Australia, etc—through a conversational video chat. It also provides learners an opportunity to absorb the nuances and idiosyncrasies of their speech patterns, components that may be missing in more traditional systems.

iAugmentor: Launched in 2016 by Pratik Marwah, Arindam Sen and Sameer Sikka, it aims to augment the skills of students through continuous feedback. The founders realised a majority of India's engineering graduates were unemployable—they lacked soft and cognitive skills, analytical and quantitative skills, and communication skills. To address this, iAugmentor brings together technology, human intervention and educational activities to make the process of learning more effective, intimate and accountable.

Gradeup: It's an online preparation platform for competitive exams, helping aspirants prepare for SSC, banking, railways, teaching, JEE, GATE, NEET, UPSC, defence and state-level exams. Founded in 2013 by Sanjeev Kumar, Shobhit Bhatnagar and Vibhu Bhushan, it utilises AI and ML to provide live online courses from some of India's best faculty. Gradeup has build a user base of over 20 million exam aspirants.

Doubtnut: It's a multilingual instant doubt-clearing app, and offers free solutions to maths and science queries to users who send snapshots of their doubts to the platform. Founded by IIT Delhi graduates Tanushree Nagori and Aditya Shanker, the app helps students between sixth grade and high-school levels in solving and understanding any questions they might have. After students share a picture of their problem through the app, website or WhatsApp, Doubtnut uses ML and image recognition to deliver a short video that walks students through the steps to solve it. It currently has over 13 million monthly active users on its platform, and offers solutions in 11 regional languages. As of 2020, Doubtnut has provided answers to over 250 million doubts.

The author is founder, TARGETplus; she also founded Council for Global Education USA, Global Education & Training Institute India, & Education Society of Iceland

STUDENT SUPPORT

La Trobe sets aside ₹60 crore

FE BUREAU

LA TROBE UNIVERSITY of Australia has said it has distributed AUD 12 million (₹60 crore) to support its students during the Covid-19 emergency. This is in addition to the university's normal scholarships and support. "To ensure students have the maximum opportunity to start their studies in 2020, we also introduced more flexible online study options for prospective students and created additional start dates," La Trobe said in a statement.

La Trobe was amongst first Australian universities to 'pause' teaching activities to ensure right decisions were made on how to deliver quality education. The first step was to 'migrate' courses and student services online. Then it introduced 'terms' alongside 'semesters'. Each term is six weeks long, which provides three possible start dates for students in the second half of 2020. La Trobe said this means students can start their studies doing two subjects in a six-week term. Courses in Business, Engineering and Mathematical Sciences, Public Health and Biotechnology will be offered online in 'terms' this year.

La Trobe also started new suite of scholarships and expanded eligibility criteria for existing scholarships. These cover up to 30% of the tuition fee of a programme.

Test-prep firms start live classes

FE BUREAU

WITH RESTRICTIONS ON regular classes, most test preparation institutes are trying to find ways to teach students online. One of the early adopters was VMC (Vidyamandir Classes), which developed its proprietary online learning platform called VMC GURU before the pandemic started. "At VMC, all regular classroom batches are running on schedule, with best faculty taking live online classes," VMC said.

Adda247 has started a slew of online learning modules for candidates preparing for exams such as UPSC-CSE, SSB of the Indian Armed Forces, GATE, IIT JAM and CLAT. Its online platform offers virtual live classes, video courses, and test series for the aforementioned competitive exams.

Baliyans.com has also launched new courses, live classes for IAS aspirants for 2020-21 exam. Each live class has a two-way interaction where students can raise doubts and the teacher can answer just like in an offline class. It is providing certain free courses during the lockdown.

TIME, the test-prep institute, has also started online courses. These include CLAT+IPM, BBA and CAT etc. The institute also added its online class cover every aspect of entrance test preparation, from basics to exercises to discussions.

Science & tech

EAVESDROPPER

The games we play

Fortnite's metaverse event gives a glimpse of a world beyond gaming

ISHAAN GERA

Pieter Bruegel the Elder, Children's Games

WHEN EPIC GAMES, creators of multi-player shooter Fortnite, had hosted Marshmello last year, the event saw the participation of 10.4 million fans. But it did not create as much noise on social media as this year's Travis Scott affair. Last week's performance of Travis Scott saw 12.3 million users congregating with their avatars as Scott smashed records. The 10-minute performance saw people donning new avatars and entering a new metaverse to roam around on beaches and enjoy a virtual day out.

Metaverse may not be a new phenomenon-the first conversation around it started in the early 1980s-but games like Fortnite have redefined what it may mean. Fortnite's two successes show that the future may not be that far off and with most of the world in a lockdown, things may move faster than possible. A metaverse is a virtual world created to host a lot of activities. It can be simple roaming around and discovering thing or as complex as a marketplace, where you can purchase products.

Piers Kicks, a VC and a former gamer, enthusiastically explained the whole phenomenon in a thread comprising 25 tweets. Emphatic about Epic's success Kicks tweeted that "Whilst undoubtedly cool, this event represents something bigger. It is yet another major stepping stone in digital culture's advance into the mainstream with Fortnite having featured Deadpool, Thanos, Batman, John Wick, Marshmello, Star Wars, Nike, and now Travis Scott."

He further highlighted "For the Metaverse to begin to flourish, there needs to emerge: 1) concurrency infrastructure 2) enticing content, both user-generated and pop culture related 3) standards and protocols."

While games are getting the content part right-Fortnite has over 78 million monthly active users with its competitor PUBG has over 200 million-the internet is still far off from a world of standards and protocols.

Kicks, however, has a solution for this. "With the virtual goods market reaching $50bn, perhaps it is time to move away from letting items sit in heterogeneous centralized servers that are owned by a single company, provide no way to generate cash flows, and offer no real ownership or control prospects for the user."

What Kicks was talking about was a decentralized marketplace for virtual goods, where people can sell avatars, their online collections and make money off the market. The problem is for this to occur a lot many systems will need to converge and many companies, governments, may not be ready for such a drastic change.

Pokemon Go is a classic example. The game was limited by its time, but it still made a splash. It allowed people to go on treasure hunts and collect pokemon. Although the creators predicted much more, after a point it got boring. But imagine what if you could trade pokemon's for a price and this could be done using game coupons, which then could be converted into bitcoins and those bitcoins could be used at any of the local stores. Pokemon would have become much more than a game. The AR experience could have transformed many industries. While it did transform, it stopped short of building a metaverse. Fortnite, on the other hand, has been lucky and smart with incremental innovations.

It has not delved into something that would require additional hardware-AR/VR glasses- to take things forward. But once those technologies are ready and cheap, metaverses would be a much bigger reality. There is a reason Facebook bought VR firm Oculus a few years ago. Firms will still need to open up for trade in the digital economy, and governments will also have to adjust. For now, we can settle with listening and dancing to Travis Scott and Marshmello.

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TECHSPLAINED@FE

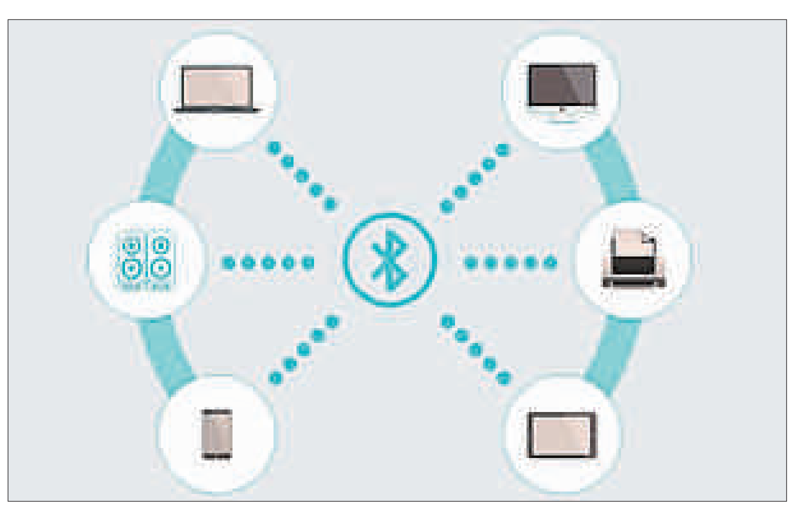
Low on energy, high on performance

ISHAAN GERA

THE TWO TECHNOLOGY behemoths, Google and Apple last month announced that they would soon be rolling out an update that will allow anonymous contact tracing. Instead of using both GPS and Bluetooth, the companies said that they would only be relying on Bluetooth to trace if a person has come in contact with an infected person. The Bluetooth would have an ID of its own. Apple and Google had to come together for this initiative as right now, Apple does not allow interoperability of its Bluetooth devices. Initially, the service will be rolled out as an app, but eventually, it would form a part of the phone's user interface. While the technology will not be as effective as a GSPS tracing, but it would undoubtedly save battery as the power consumption of GPS is much higher than Bluetooth. But a few years ago even this would not have been possible, as Bluetooth also led to high battery drain. The new Bluetooth technology called Bluetooth low energy consumes much less.

What is Bluetooth LE?

Bluetooth Low Energy or Bluetooth Smart is the newer version of Bluetooth available in almost all devices of today. While the Bluetooth technology was developed to transfer infinite packets of data over a long period and in a close range, it would use a lot of battery to do this. So, researchers came up with an easy solution that would not use so much battery and could lie dormant when not in use. This technology has been incorporated in devices since 2011 and is called Bluetooth 4.0 or Bluetooth LE. Apple and Google will be using this technology for contact tracing.



What is the difference between Bluetooth LE and Bluetooth?

One of the significant difference is power consumption, but another one is the latency. The newer version has a lower latency than the older technology. The actual connection time is only a few milliseconds as compared to 100 ms in the older version.

How can Bluetooth LE be used for contact-tracing?

As explained above, Bluetooth requires a person to be within range for a connection, and once within range, it will ping another Bluetooth device, recording all the pings in the memory. As the newer version of Bluetooth has low latency and has high data rates, it will be able to do this much faster while also preserving battery life.

Techsplained @FE features weekly on Mondays. If you wish to send in queries that you want explained, mail us at ishaan.gera@expressindia.com

LOCKDOWN IMPACT

STEPapp gets 3 lakh new users

Gamified learning app to be relaunched in all subjects

VIKRAM CHAUDHARY

THE COVID-19 LOCKDOWN has inadvertently catalysed growth for the tech sector in India. STEPapp, a gamified learning app, has seen an increase of more than 3 lakh users since March 15. In the last four months, the app saw a total of 20 lakh downloads on Play Store and App Store.

STEPapp helps students learn mathematics and science concepts in a gamified format, mapped as per CBSE, ICSE and SSC boards. The app is now being relaunched with new subjects—social sciences and languages. Praveen Tyagi, MD, Pace-IIT & Medical, and CEO & founder, EduIsFun Technologies (STEPapp), said that additional features—such as segregated topics of each chapter that allow students to revise and grasp the concepts easily, simplified testing methodology to track the progress of students and dashboard that collects data on each subscribed student—available in maths and science will also be added to the newly introduced subjects.

"After seeing the great response in the past few months, it is our responsibility to introduce all the subjects," Tyagi said.

A year ago, STEPapp was implemented at 14 Eklavya Model Residential Schools (EMRS), and it helped students improve performance in school exams; 15 students from EMRS got selected for NTSE's first round for the first time. "We've offered to implement STEPapp further in 11 EMRS," he added. The Centre recently issued a letter recommending STEPapp to all EMRS in India. STEPapp has also signed an agreement with Tamil Nadu to provide the app for 10 lakh government school students.

NEWS BRIEF

EI has started ASSET digital learning

On May 4, Educational Initiatives (EI) started ASSET Digital Learning Programme. "It is designed for gifted kids of grades 5, 6 and 7," EI said. Batch A takes place from May 4-15, and Batch B from May 11-22. Srini Raghavan, co-founder & CEO, EI, said, "The world has replaced traditional systems of learning and teaching with tech. Schools and students are realising importance as well as the effectiveness of integrating technology to ensure that learning never stops."

Littlemore Labs launches PEXA Lite

Littlemore Innovation Labs, the digital exam solution provider, has launched PEXA Lite, an extended offering on PEXA platform. PEXA Lite will offer 'exam-from-home' service. Srikanth Ganesan, CEO & founder, said, "PEXA Lite is being introduced in India first, followed by the UAE, Australia, Malaysia and Singapore. We expect edtech to add a lot of value to institutional education sector worldwide."

FE BUREAU

Opinion

MONDAY, MAY 4, 2020

A DEBT OF GRATITUDE

Chief of Defence Staff Lt Gen Bipin Rawat

"The entire world is fighting the menace of covid and like everybody else our nation has been impacted. We express our gratitude to all corona warriors who are working hard to keep us safe"

To attract industry, stop hurting industry

To attract investors, the govt needs to address their pain points; that requires the PM to take some basic decisions

GOING BY THE series of meetings prime minister Modi held last week, it would appear he is quite worried—and rightly so—about how his government is putting off investors. Given there is yet another China opportunity, as foreign investors there are looking to leave, the anxiety is understandable. It is to be hoped that, this time around, Modi's ministers will act upon what he wants, but some basic rules will help: Keep It Simple, Stupid (KISS). And, since the prime minister is probably meeting as many doctors as economists in this coronavirus season, he probably recalls the part of the Hippocratic oath that says "first, do no harm".

The ministry of power, to cite a recent example of government policies that don't quite address the issue, has just come up with an elaborate new plan to bring state electricity boards (SEBs) on track after the last bailout (Uday) failed—expectedly, given it had more carrots than sticks. Some parts of the old policy that fostered competition—like open access and separation of 'carriage and content'—have inexplicably been watered down or dropped, with there being a new focus on the franchisee model and the state paying subsidies on time, as well as tariffs that reflect costs. Given the complete failure to fix SEBs for decades despite a series of bailouts, it is not clear this one will work, but why not opt for a simpler solution? Empower RBI to automatically deduct SEB dues from the bank account in which the Centre deposits the states' share of taxes. With their revenues at stake, states will automatically pay subsidies on time, ensure tariffs are raised, cut losses, and find other ways to raise efficiency. Indeed, a good example of how government policies are so convoluted is the spate of announcements and funds set up to help beleaguered real estate firms/NBFCs etc over the past year or two. If Modi asks, he will find the funds have achieved little because there were so many caveats attached, in which case, why even announce a relief package?

While this newspaper routinely gives examples of how performing investors have been repeatedly hit by government policy, the most recent example of this is the mindless rule—under the Disaster Management Act—that prevents industry from laying off workers or cutting their salary. When industry has no turnover, how can it survive with such a stipulation? And, it is to the Supreme Court's discredit that it has not even stayed such a draconian and illogical order. Equally draconian was the order put out by various states that an FIR would be filed against the CEO of a firm if there was any Covid-positive employee! In a generally anti-industry atmosphere, it is easy for such policies to get through.

If nearly 75 years after independence, the PM doesn't realise that India's rigid labour laws have pushed industry away to China, Vietnam, and Bangladesh, there is little point in him asking his ministers to pro-actively woo industry. And, how can he hope to boost the coal and mining sector when Indian royalties and other levies are so high compared to other countries, to say nothing of the never-ending environment and other clearances? Instead of constantly touting, as he does, India's progress in the meaningless Ease Of Doing Business rankings, Modi needs to promise not to impose sapping price controls. Just see how much of Indian pharma production is exported as a result, and how this has prevented agriculture exports from realising their potential. If something as basic as a telecom package hasn't been finalised despite the sector being on its knees for so long—and with such clear evidence of government policy being rapacious—it is really ambitious to expect India will be able to woo the bulk of the investment seeking to leave China.

Excessive FORCE

Does IRS action mean govt will punish all bad policies now?

THE GOVERNMENT IS probably within its rights to take action against office-bearers of the IRS Association for their *FORCE Majeure* report which, as the government said, had "created panic and tax uncertainty in the already stressed economic conditions in the country". Apart from the fact that releasing the report was against service rules—most people seeing the document felt it was going to be implemented soon since it came from the Twitter account of the IRS Association—the government said the office-bearers had misguided 50 young officers, presumably those who worked on the report that recommended a hike in tax rates, imposition of wealth and inheritance tax, and a Covid surcharge. Indeed, many believed that the government had actually asked the officials to come up with such a plan, and that the association releasing it was just a trial balloon. At a time when both companies and individuals are reeling from the impact of the virus, and pay cuts and job-losses—at a macro level, the economy is likely to contract in FY21—most are looking for a relief package, not more taxes.

There is, however, the issue of whether the government is guilty of using too much force, as it were. Surely, the government could have politely distanced itself from the report, and left the matter at that? After all, at a time when the government's finances have gone completely haywire, it is also the duty of every tax official—indeed, all bureaucrats—to see how best some of the shortfall can be made up. Whether the government chooses to go by the advice or not is its prerogative.

More important, does this action signal a change in the government's attitude that saving the economy is as important a priority as tackling the novel coronavirus, and anything that hurts this will be punished? In which case, if a policy like the imposition of the MAT on FPIs—this made them exit the country in large numbers—is implemented, will the government take action against the officials who proposed it, and perhaps implemented it? Indeed, there are several such anti-investor policies that this newspaper has been highlighting continuously for many years now, a lot of which, though not all, emanate from the tax department. If this is not the case—and it probably isn't, sadly—then the action against the IRS officials is likely an overreaction, and more aimed at generating good publicity than anything else.

VirtuallyREAL

Gaming has been serious business for some time, but Fortnite's experiment shows the success of metaverse

A WEEK AGO, THE multi-shooter game, Fortnite, hosted its first event of the year, with American rapper Travis Scott performing for 12.3 million Fortnite players online. The game saw people congregating from across the world in their digital avatars in a metaverse—digital universe—to attend the event. Just before, they roamed digital beaches, walked on digital sand, and waited in lines to enter the concert, even as they remained at home, with movement restrictions in place around the world because of the corona pandemic. While Epic Games, creators of the game, hosted the popular American DJ Marshmello last year, with 10.4 million in attendance, this year's event is phenomenal for many reasons. The two consecutive successes show that gaming has moved beyond just a pastime to the realm of serious activity. More critically, it shows the world is ready for virtual tourism, where companies can realise value by charging for properties. Advertising has already been a strong suit of such games. Fortnite, for instance, has struck deals with Nike and others to promote their brands.

While the term metaverse has been in common parlance since the 1980s, digital or virtual worlds have had a limited reach. There has also been an apprehension amongst people against strolling online because usually, this space is considered a hub of nerds, or a hotbed of illegal activity. But, in the time of lockdowns, games like Fortnite may change perceptions. More important, once companies can decide on a single token or currency that can be exchanged and traded, the metaverse will expand. The architecture is available, and so is the platform. Now, companies need to decide how they wish to capitalise on this growth. The digital world is set for a revolution as people adjust to working from home and virtual reality hardware becomes cheap.

CLIMATE ACTION

THE LOCKDOWN IS AN OPPORTUNITY TO MAINSTREAM SUSTAINABILITY IN ECONOMIC POLICY AS IT HAS MADE CITIZENS AMENABLE TO DECISIONS THAT HAVE A HIGH DISCOUNT RATE

Implement strong climate policy post Covid-19

RAJAT KATHURIA
Director and chief executive, ICRIER
Views are personal

THE LAST TIME India's real GDP growth rate crashed to less than 1% was in 1991. The opportunity, however dark that might sound, was not wasted. India unleashed a series of structural reforms that placed greater faith in the market than ever before, freed firms from the shackles of licensing, reduced import tariffs, and created regulatory institutions to oversee liberalised product markets. What followed was not unexpected but, to many, it was a miraculous outcome. India not only breached the 'Hindu Rate of Growth' for consistently long periods of time but also established a new normal growth rate that was structurally different and an order of magnitude greater than that in the past. The miracle lay in the empirical vindication that markets could actually deliver if given a chance, and that the mistrust of markets on which much of our previous development model was based was essentially unfounded. Markets did not need to be distrusted, they needed to be regulated.

The largely uninterrupted high growth brought in its wake development impacts that were truly exceptional. Millions were lifted out of poverty, trade flourished, and India exported goods and services to developed markets that was, at one time, reckoned to be impossible. India became a favoured destination for Foreign Direct Investment (FDI), with the peak gross investment touching 36% of GDP just before the financial crisis hit in 2008. More recently, growth has slowed to below 5% for the first time since the structural reforms of 1991, and the outlook for next year, in the wake of Covid-19, is rather bleak. Much before Covid-19 struck, the economy was already in poor shape and cracks in the growth model were palpable.

The resource-intensive growth of the last two decades has been associated with severe local air pollution and lasting harm to lives and livelihoods, especially of the poor. The damage due to more and more extreme weather events has raised anxieties over the sustainability of the business-as-usual (BAU) model of economic growth. In fact, everywhere, it is the poor and vulnerable who get hit the hardest, whether they live in rural areas or in the city. Covid-19 has already sharpened this disparity. Taken together, climate change and Covid-19 pose a massive risk of undoing the poverty alleviating benefits of the high growth witnessed in the last decade. About 140 million people were lifted out of poverty between FY05 and FY12, and we risk dumping many more millions back into poverty unless we act decisively now. The resurgence of mass poverty will be a tragedy of monumental proportions.

While we know the medical shock of Covid-19 will be transitory, the economic damage is likely to be persistent. A fiscal stimulus of around 1% of GDP has been introduced as a preventive against job losses, and to make sure people who have lost jobs, or will lose them, have money to spend on essentials during the economy-wide lockdown. Both, people and companies, need large doses of support from government and banks, which, in turn, need support from the Reserve Bank of India (RBI). Essentially, the immediate focus must be to prevent as many individuals and firms from slipping into traumatic bankruptcies as possible.

The pandemic has exposed the weaknesses in India's public distribution, social security, and public health systems. The presence of a very large informal and migrant workforce in need of urgent state support has added several dimensions to the challenge. An immediate fallout of Covid-19 is the unambiguous warning that these systems will need to be overhauled to build resilience against the next pandemic, and to lay the foundation for a strong, humane, and inclusive economy. Economists, Nobel Laureate Amartya Sen among them, have for long lamented India's inadequate public spending on health and education. This is a moment to correct that failing.

This is also an unprecedented opportunity to take a long view. Fiscal injections are compelling during a crisis, but what is equally, if not even more compelling is how the economy can be restored and sustained post Covid-19. Fiscal stimulus is a means to start the recovery rather than an alternative to it. Eventually, the stimulus will have to be gradually retracted as the wheels of the economy start to move again. The post Covid-19 revival ought to focus on the root causes of our growth model going awry. The massive environment degradation and unchecked air pollution are as much a worry in and of themselves as they are for being a reason for exacerbating unequal outcomes. We have reason to believe that climate change will magnify existing inequality as the poor will bear the brunt of its impact.

The narrative that concerted climate action will compromise growth ignores innovations that can lead to a low-carbon economy

It is too easy simply to point to the ongoing regeneration of natural capital in India (blue skies, clean air, and breathing rivers) during the Covid-19 inspired lockdown and claim that growth produces negative externalities, and that damage to the environment is a cost which must inevitably be borne during the development process. According to *The Economist*, at one monitoring station in central Delhi, levels of nitrogen dioxide are 85% lower. America's space agency, NASA, says that levels of suspended aerosols are lower than at any time since it started measuring them twenty years ago. The narrative that concerted action against climate change will compromise economic growth, however, ignores the technological and financial innovations that now exist and which can lead the transition to a low-carbon economy. It also ignores effective public policy that could be designed to address the challenge.

A reason we cannot abandon economic growth is that it speaks to people's aspirations, and also provides resources for public policy programmes, not to mention jobs that are fundamental to India's future. The absence of economic growth also leads to political instability and the potential for disturbance. The path to climate mitigation, and adaptation and inclusion is far better served not through slower economic growth, but through economic growth that is steered toward environmental sustainability.

Globally, efforts to reduce GHGs through mitigation measures—phasing out fossil fuels, increasing energy efficiency, adopting renewable energy sources, improving land use and agricultural practices—continue, albeit slowly. Our demand for climate justice must continue at the global level, but domestic policy change should not be kept hostage to it. Climate change is upon us, blighting lives of millions of people in India.

Investments in infrastructure will assume centrestage post Covid-19. Since they are long lasting, the right investments will deliver what is now referred to as the "triple dividend" by avoiding future losses due to stranded high-carbon assets, stimulating economic gains through innovation, and delivering social and environmental benefits. Updated building codes, renewing urban infrastructure, scaling energy efficiency, making agriculture more climate resilient by investing in research and development are a few examples. But, the point is, we must mainstream sustainability and inclusion in our economic policy discourse. There have been extraordinary developments in technologies such as AI and robotics, materials, biomedical and biological, and renewable energy to name a few that have the potential to transform our ability to manage cities, energy, transport, and land use.

The nationwide lockdown and the accompanying hardships will perhaps have made citizens more willing to accept decisions that have a high discount rate, i.e., benefits of which will be more apparent in the future. One could argue whether strong climate policy has a high discount rate or not, but even if it does, then political anxieties over strong climate policy action could well be more palatable post Covid-19. Never let a crisis go to waste is a sagely advice often heard in India and acted upon once, in 1991. With its large population and many vulnerabilities, it is time for an encore.

Amazon's Covid boom has big costs

Amazon's business clients, who sell on its marketplace, now have an actual alternative to go elsewhere, with upstarts like Shopify Inc having built their own fulfillment networks

TAE KIM
Bloomberg

E-COMMERCE GIANT AMAZON.COM Inc. has the type of business that one would expect to thrive in a pandemic—but it is not so clear-cut, as its most recent results, released late Thursday, show. And, the challenges it faces to meet the soaring demand for its offerings are likely going to crimp its profitability for the foreseeable future.

Amazon posted first-quarter sales of $75.5 billion, up 26% from a year earlier, as self-isolating consumers shifted to spending online rather than risking getting infected by the coronavirus at physical stores. Earnings, however, fell short of Wall Street estimates as shipping costs surged 49% to meet the rising number of deliveries required. Amazon also projected it could lose money in its current quarter due to $4 billion or more in Covid-19 related expenses. It shares fell in post-market trading.

Jeff Bezos, Amazon's founder and CEO, seemed to recognise shareholders wouldn't be too excited about the company's profit forecast, encouraging them instead to look at the big picture. "If you're a shareowner in Amazon, you may want to take a seat, because we're not thinking small," he said in the company's earnings release as he explained that the additional spending was required to protect its employees and deliver products to its customers. He said the company will step up safety measures—including protective equipment, virus testing, and increased social distancing inside its warehouses—and confirmed Amazon has now hired 175,000 additional workers, as it had flagged in March and April.

In some ways, the additional spending is a prudent decision. At a time when most companies are getting decimated, it wouldn't be wise to generate billions of dollars in profit at the expense of Amazon's employees, especially as it faces criticism over its labour and safety practices. But, beyond the larger workforce, the logistical challenges of dealing with the pandemic could lead to more problems elsewhere.

Amazon's first quarter earnings fell short of Wall Street estimates and it projected losing $4 bn in the current quarter due to Covid-19 related expenses

One thing to watch is growing discontent among Amazon's business clients, who sell on its marketplace platform. These sellers have been getting squeezed as Amazon has prioritised the stocking and delivery of essential items such as household staples and medical supplies, leading to longer delivery times and fulfillment delays. Moreover, the *Wall Street Journal* reported last week that Amazon employees used third-party seller data to develop the company's own competing products. If true, it runs counter to what the company has explicitly promised it would not do. Amazon said it has launched an internal investigation into incidents referenced in *WSJ*.

The problem for Amazon is that sellers now have an actual alternative to go elsewhere. Over the past year, Shopify Inc. has been building out its own fulfillment network that allow its clients to ship boxes cloaked in their own brands. The upstart says the aggregated online sales of its US customer base rank as the second-largest in the country after Amazon, giving it the scale to compete. Together with the lower profitability structure from higher expenses and increased shipping costs, the potential loss of some high-margin sellers could become a real issue, should it become a more permanent state of affairs.

Amazon wasn't the only Big Tech company disappointing the market Thursday. Apple Inc. reported its own results, which included an iPhone segment sales drop of 7% for the March quarter. The smartphone maker also uncharacteristically declined to give guidance for its current quarter, which seems to have spooked investors, with its shares falling nearly 3% in after-hours. As I mentioned earlier this week, Apple faces potential supply-chain disruptions and weakening demand for its smartphones this year, and that's double trouble.

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LETTERS TO THE EDITOR

Political crisis in Maharashtra

Maharashtra, one of the worst affected states from Covid-19 in the country, is now staring at a political crisis with its chief minister Uddhav Thackeray. He needs to be either nominated to the state legislative council or elected from one of the assembly seats from the state before May 27, lest he has to vacate the office of chief minister. Citing pandemic, caused by coronavirus, Election Commission of India (ECI) has deferred all elections including to nine legislative council seats in Maharashtra. Though the state cabinet made a formal recommendation to the governor Bhagat Singh Koshyari for nomination of the chief minister to a vacant seat in the legislative council, the governor is yet to act on it. While the main opposition, BJP strongly objected to the nomination of to the legislative council by claiming it as a violation of Representation of People Act, which mandates that vacant seats be filled only if the remainder of the term extends to at least a year, whereas the term of the legislative seat proposed for Uddhav Thackeray ends in June, constitutional experts are of the view that the law only applies to by- elections and not nominations. Given the unfolding public health emergency arising out of the rise in Covid-19 cases in the state, Maharashtra could ill-afford to persist with a political uncertainty for long. It is time, the ECI finds some innovative solutions to bring an end to the political crisis engulfing the state.

— M Jeyaram, Sholavandan

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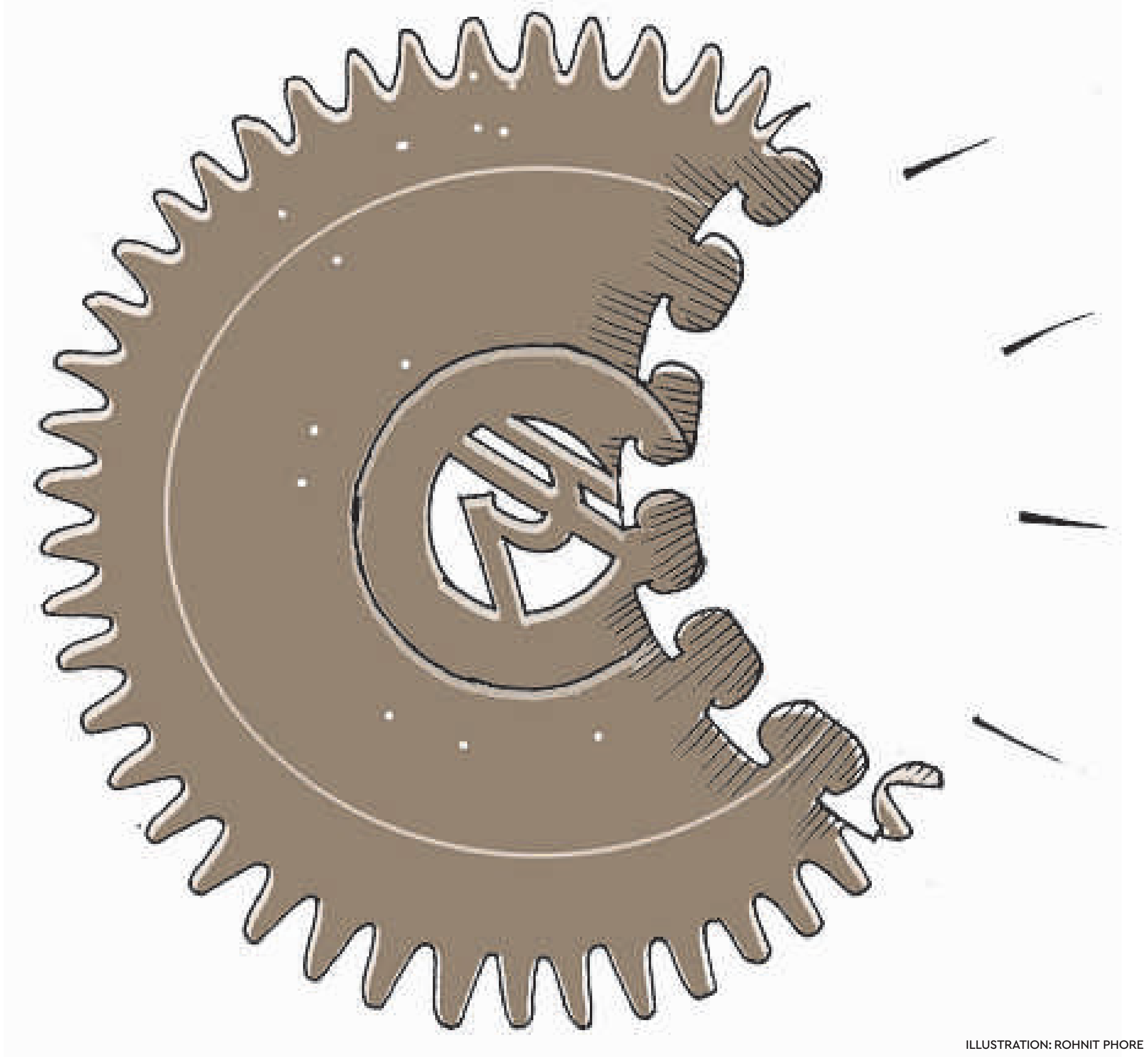

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MUKESH BUTANI & TARUN JAIN

Authors are partners at BMR Legal. Views are personal

COVID-19

Building a resilient India

The crisis is an opportunity to redefine tax policy and law. A calibrated approach to balance welfare economics with a vision to pioneer economic activity and national growth is needed

HISTORY IS A vast early warning system, says one popular quote. Two major laws, income-tax and customs were legislated during the national emergency in 1962. They have stood the test of time, revealing that the best policy measure evolves when human minds are sharpest and there is coordinated action, seeking light in chaos. The current crisis, as it settles, will draw a renewed attention of policymakers on tax revenue mobilisation and its impact will drive areas of government expenditure and fiscal stimulus to businesses. Perhaps it is an opportune moment to think of key tax reforms that could yield an impactful outcome. Here are a few suggestions.

A radical, yet compelling, move is to rewrite the tax law paradigm. Consider two separate legislations. The first, either in the current or the new tax code, will enlist the broad principles on which the detailed tax law is based, which is the legislated tax policy. The second will be tax law that must be interpreted considering the former. The current approach of the statute is that it is the reference point for both the law and the legislative intent, owing to which interpretation-linked disputes arise and require the courts to fine-comb the law. A principle-led approach to appreciate the contours of the tax law will curtail disputes; the taxpayer would be dissuaded from assigning an incongruent meaning to the law and equally the tax administration would be estopped from contending that its underlying intent was different.

But why this radical reform is the need of the hour? The answer simply lies in experience. The law today, due to many reasons, including incoherent drafting and target-driven approach of the administration, discourages most business enterprises and instead promotes taxpayers to resort to tax mitigation and at times evasive approaches, which enhances litigation. The policy today is a complex mesh of varied and often competing objectives. For instance, specifically directed tax incentives, say SEZs and manufacturing-linked corporate tax rates. Tax exemption provisions witness most disputes and varying tax rates give opportunities for business to reorganise their affairs. At the same time, the tax law is replete with ominous anti-avoidance provisions, such as GAAR, and the past decade has witnessed plethora of specific anti-avoidance (also called SAAR) provisions, whose only purpose is to deter business from resorting to tax-mitigation measures. An inherent inter se tension between such competing stances manifests itself in tax litigation, which overwhelms all the three branches of the state-executive, legislative and judicial-consuming massive time and resource costs of taxpayers, besides resulting in an ineffective system. Is such a situation avoidable? Perhaps, a qualified yes, or even a tacit no, as in a large measure it is contingent upon the lawmakers, who play the role of both the script director and a major actor.

The long-term fiscal policy of 1985, a first major attempt in the pre-economic reforms era, replete with enviable propositions, is forgotten in the liberalisation zeal. Rationalisation of tax rates mooted three decades ago is still relevant. With innovative suggestions such as a national tax court, a comprehensive tax-policy rewrite is the need for the hour; one resulting into a coherent tax law which de-hyphenates businesses from opportunistic tax-motivated manoeuvres.

On the corporate tax front, let there be only three tax rates: 15% for MSMEs, 18% for manufacturing business and 20% for all others, with no room for any form of tax holiday. The suggestion may sound strange in an environment where the government's tax revenues are already under stress and with the health crisis it will merely get accentuated. An underlying objective here is simplicity, which in our view will obviate most disputes and low tax-incidence will reinvigorate business sentiment. As a measure to overcome immediate needs, a surcharge/cess not exceeding 10% can be considered, with a provision for carry back of losses, such that businesses reeling under losses are able to recoup. Such provisions should be one-off in nature, say, applicable for 2-3 years. For individual taxpayers, other than businesses, a maximum marginal rate of 25% with no tax below annual income of Rs 8 lakh shall address the hardship factor and instil the capacity-to-pay principle, besides moderate tax rates. Needless to mention, there should be no scope for other forms of surcharge/cess for individual taxpayers.

The revenue foregone from liberal rates for businesses and individuals should be addressed by omitting all exemptions. With political will, it is time to bring agricultural income within the scope of tax. As a start, rich farmers with income above ₹1 crore be taxed. Since this will require a constitutional amendment with the support of states, let the entire proceeds of such collections devolve upon states, as quid pro quo. This will also reduce devolution commitment of the Union. The sense of inequitable treatment will be addressed that emanates from this sector getting the largesse of farm-loan incentives without tax obligations. Indeed, there is no economic rationale for keeping away such large earners outside the tax basket.

These changes will de-clutter the administration's time and space from regular annual amendments unless they are essential. More importantly, the administration's focus shall significantly move away from enforcement and appellate functioning, leaving space to focus on technology, policy and taxpayer service. Faceless/e-assessment coupled with taxpayers' charter are a good start, but to make them effective, these must be backed with a change in mindset and investment in technology and rigorous training.

It's time for India to embrace the principles of cooperative compliance by virtue of which the taxpayer is treated as a customer and partner in nation-building. The concept of such compliance has worked successfully in most parts of Continental Europe and in parts of Asia, which were historically known for provocative and aggressive tax administration. Besides, the customer-guiding philosophy that India will hopefully embrace as part of the taxpayers' charter, its success, besides a paradigm shift, will be measured with stability in tax policy, infrequent shifting-of-goalposts in the law, and timely dispute resolution mechanisms. Let a commissioner-level rank person be allocated to each large business enterprise, say, country's top 200 taxpayers. Likewise, additional, deputy and assistant commissioners be allocated to a group of other taxpayers under cooperative compliance function. Similarly, let there be stratification of taxpayers like large corporates, MSMEs, individuals and others. The degree of taxpayer services for businesses should be similar to the focus given for individuals, assessment and refund mechanism, which have been largely streamlined in the recent years.

These officers should be reskilled from the mindset of 'assessing' to 'assist', who will work with taxpayers in collaborative fashion to proactively fulfil compliance requirement, address contentious positions and thus avoid glaring tax controversies. In this paradigm, limited resources should be allocated for assessment or audit, which must be aligned to the faceless/e-assessment route scheme. Even limited resources should be allocated for enforcement function, dealing with search and investigation cases. Finally, an independent appellate functioning of the department (commissioner, Appeals) should be supplemented with a mechanism to settle disputes via a collegium of senior officials in the department of revenue and not via filed officials, due to inherent conflicts. Such collegium should be empowered to compromise/settle a dispute under the overall supervision of CBDT and not subjected to any vigilance oversight to ensure smooth decision-making. This will ensure that select cases of disagreement will trigger a dispute, unlike discretionary positions of assessments. All of this will entail material change in (re)allocation of work and skills, particularly at the level of commissioner and above, without which change will be meaningless.

Changed times offer an opportunity to usher in overdue administrative reforms, which is even more time-critical as businesses recover from the shock and view them as an avenue for incentivising economic growth. Equally, it should not dither the government from pursuing its goal to garner tax revenues for addressing rising demands from social commitments by balancing needs of the business. A calibrated approach to balance welfare economics with a vision to pioneer economic activity and national growth is needed. Such balance is tricky, but cannot be shied away by any nation and policymakers ought to display a crisis-driven change that will build a stronger and resilient India.

Without due process

ABHINAV MUKERJI

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Views are personal

Government orders on waiver of rents impinge on contractual rights

RECENTLY, THERE HAVE been a spate of news reports on measures issued through executive orders directing waiver of rents, reduction or freezing of school fees, continuation of employment, restriction on termination of employees, and restriction on reduction in salary in the wake of the Covid-19 pandemic. The government has also issued executive instructions declaring the pandemic a *force majeure* event. All these restrict an individual's contractual right or suspend contractual obligations, or even in some instances, encourage invocation of *force majeure* to terminate a private contract, all with a purportedly laudable objective to alleviate economic suffering brought about by the suspension of economic activity.

Such interventions and directions are extremely worrying from an industry point of view. India, a growing economic superpower, cannot afford to sanctify measures permitting contractual rights to be avoided except in accordance with law. Doing so would severely dent business confidence and dampen industry expectations. Let us not forget industry was already reeling under a slowdown and many sectors were in economic distress even prior to the pandemic. There are already several entities that are on the verge of bankruptcy and such measures by the government may push them towards greater distress. Any measures by the government which justifies avoidance of contractual rights would be anathema to economic growth. Article 19(1)(g) of the Constitution guarantees a citizen the right to practise any profession or to carry on any occupation, trade or business. However, this is subject to reasonable restrictions embodied in Article 19(6) which allows the State to make any law imposing, in the interest of the general public, reasonable restrictions on the exercise of the right.

Clause (6) of Article 19 is intended to strike a balance between individual freedom and social control. The concept of reasonableness runs through the totality of Article 19 and requires that restrictions on the freedoms must at the least be reasonable. Measures adopted to tinker with contractual rights, which are perceived to be in favour of the masses at this time of a pandemic, though laudable, may not stand muster in Court. The Supreme Court in *IITT College of Engineering v. State of H.P. (2003)* had said that howsoever laudable the objective, it must have the sanction of the law. It had done so setting aside directions of the High Court to appoint an administrator to a private educational institution to safeguard the interest of students.

The government must think of an alternative which balances economic compulsions rather than rely on populist measures which can set a dangerous precedent

In the *Cellular Operators Association of India & Ors. v. Telecom Regulatory Authority of India & Ors., (2016)* the Court found the exercise of power by the State was manifestly arbitrary and fell foul of Article 19(1)(6); it failed to meet the test of reasonableness. The government had directed telcos to credit an amount to consumers on each call drop. The Court held that even though the intent of the impugned regulation was laudable, it would still fail the test under Article 19. The SC, in this context, found the government intervention in private contract to be unreasonable, as it failed to fulfil the constitutional scheme. Interestingly, it had been argued that such a measure was made keeping in mind the small consumer and goes a long way to compensate such person.

In *Vidya Devi v State of Himachal Pradesh and Ors.* the SC explained the importance of the exercise of State's power within the four corners of due process of law and reasonable restriction in context of the human right to property as set out in Article 300-A. While quashing state action wherein private property had been appropriated by the state without compensation, it observed that the state, being a welfare state governed by the rule of law, cannot arrogate to itself a status beyond what is provided by the Constitution. It was held that the State could not deprive a person of his property except under procedure established by law. In fact the Supreme Court in the case of *Delhi Airtech Services Pvt. Ltd. v. State of UP & Ors* (2011) has inter alia held that "property itself is the seedbed which must be conserved if other constitutional values are to flourish.."

The government must think of an alternative which balances economic compulsions rather than rely on populist measures which can set a dangerous precedent. Else, as the late Margaret Thatcher opined "the problem with socialism is that you eventually run out of other people's money".

HEALTH PLAN

Securitising health

Governments need to incorporate battling strategies for diseases like Covid-19 in their national security plans

MARTAND JHA

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Views are personal

THE ONE LESSON that governments across the world should take from the ongoing Covid-19 pandemic is to focus more on healthcare. Most of the countries, especially in the third world, have not been prioritising healthcare enough. Therefore, healthcare budgets constitute a very low percentage of a nation's overall GDP.

It wouldn't be wrong to say that until now, health is a 'low key' affair across nations. Although health security constitutes one of the fundamental aspects of human life, it has still not got a popular appeal on which elections are won or lost, unlike matters like national security and defence on which elections are won and lost. For instance, India, which is the biggest democracy in the world with over 1.3 billion people, the question of public health has never been debated in public or been used an election pitch in any of the national elections.

This shows how much importance is given to healthcare--it constitutes 2% of India's GDP. Comparatively, the defence budget this year is five times more than the health budget. The reason why healthcare has not got a popular appeal is that till now, the nations didn't come across a situation where community health was so much dependent on individual health. Now, with over 100,000 deaths and nearly two million infected, the pandemic has pushed healthcare systems to the very limits.

This is because of two things: One, the scale of pandemic and the mortality rate, and, secondly, the non-preparedness of health systems to deal with such a situation. Now, if the healthcare systems were better prepared and intact, there is no doubt that the scale of the pandemic could have been curtailed. If enough tests were done, those who were infected could have been isolated much earlier.

All this is in the past. However, the future can still be saved. For that, governments should start looking at healthcare as a 'high priority' area, much like national security and defence. This means increasing the allocation to healthcare and making public healthcare systems stronger. Governments should also start considering healthcare as a 'security issue' rather than just a 'health issue'.

What it means is that governments across the world should understand that health and human security are directly related to each other. An unhealthy individual or society would always make the community insecure about the present and the future. This would in turn impinge upon the national security of all such nations because an insecure society can't have an intact national security. This is also the reason expenditures on healthcare in developed economies are much higher.

Today, when the US, China, UK, France, etc, which spend much more on healthcare than other nations are facing a crisis, one can very well understand how bad the situation could have been if the outbreak was in the third world, where a majority of global poor live with very little or no access to public health care. The situation would have been much worse.

In a post-Covid world, health care should become a political issue across nations on which elections are fought because only then political accountability can be set for those in power to make the healthcare systems strong. Also, infectious diseases should be seen as a national security threat, and such threats should be discussed in detail.

Because diseases, like Covid-19, pose an immediate threat to the very survival of masses, therefore, health care should be strategised on a war footing with the help of doctors, medical staff, police force, NGOs, media and the larger civil society. Currently, many governments have pandemic action plans as part of their national security plan to deal with the ongoing crisis, but they are not permanent. The requirement now is to put permanent institutional structures in place to keep a check on such diseases. Top medical staff and officials are needed to be given a seat in the national security councils or institutions alike across nations.

Governments should be looking at 'securitising' the health sector permanently. This would require governments to come out with new laws, and enforcing strict measures like wearing masks, using sanitisers, avoiding overcrowding at public places permanently. Post Covid-19, nations can't afford to go back to the 'old normal'. Societies need to adapt quickly to function smoothly.

eFE

MONDAY, MAY 4, 2020

HEALING TOUCH

Amitabh Kant, CEO, Niti Aayog

Covid-19 could happen to anyone of us. Let's not stigmatise persons diagnosed with it— healthcare providers, frontline workers or lab personnel.

DISRUPTION HUB

Creating value in a time of crisis

Nine startups at Hyderabad-based startup incubator T-Hub debut niche solutions to combat Covid-19

BV MAHALAKSHMI

HYDERABAD-BASED T-HUB, a startup incubator that powers next-generation products with new business models, is encouraging startups to leverage disruptive technologies to contain the Covid-19 pandemic. Nine of its startups have come up with breakthrough solutions to combat or curb the spread of Covid-19. "It is inspiring to identify and support entrepreneurs who are exploring possible solutions/ innovations for the current global crisis. We expect to see more such innovations that will deploy technologies, such as machine learning and AR/VR to lend technological support during a large-scale health crisis," says Ravi Narayan, CEO, T-Hub.

Here's a quick look at the nine startups and their unique solutions:

Bluesemi has built a smart contactless and wireless thermal sensor and imager that measures the temperature of individuals and even heat maps crowds, relaying the data to any Bluetooth/wireless device, ideally on a mobile app. Sunil Maddikatla, founder & CEO, Bluesemi, says the device called 'Neem' can be integrated into any healthcare platform or AI-based crowd detection platform. The device can also help the government to study the state of health of the population, and, specifically, of the people who are prone to spreading the virus or are affected most by it. Also, the technology requires no interaction on the patient's/attendant's part after the initial set-up.

Byteforce has developed an AI-based computer vision solution called Safevision that can be integrated into any existing CCTV or drone camera to monitor people in public places, such as shopping malls, hospitals, bus stations and railway stations. The product will monitor the people via real-time alerts and see if they are wearing masks or if there are any health risks. Using thermal cameras, Safevision can find and send an alert in case of high fever to monitor Covid-19 symptoms. Also, it will provide complete analytics of the situation in the vicinity in real-time. "We have built safe vision to monitor social distancing, body temperature and other government mandates to ensure a safe workplace and society," says Rambabu Bonkuri, co-founder & CTO, Byteforce.

Blocksapp.ai has developed an AI-based drone monitoring solution to support the police and urban local bodies in their work. At a time, 30 to 50 drones can be deployed by the startup at any given location. The drones send an accurate image back to the ground station that can help the police take stock of the situation. Blocksapp.ai has deployed drone technology for surveillance of hotspots, hospitals, unsecured locations and public places by drones and spraying of disinfectants by drones.

Cogni.Care is combining state-of-the-art Deep AI with medical records and symptomatic data and sensor-collected data to build a composite picture of the user's health status and provide analytics of the same. It has built the first portable IR thermal sensor with AI algorithms to predict Covid-19 patients in real-time. It also monitors via AI any recurrence of the virus once the patients are cured. It has also developed two types of ventilators, which operate in a completely autonomous manner and require no external oxygen cylinder or machine.

Dimension NXG is developing large-scale thermal scanning glasses. These glasses instantly identify individuals showing symptoms of Covid-19 from a distance of 3-5 metres. These glasses will enable the Indian police, security agencies, doctors and epidemic control units to screen potential Covid-19 carriers in any indoor or outdoor environment. The user wearing the glasses will see the real world, with an augmented overlay of real-time thermal imaging/individual temperatures ofeach person in a group of people in front of him.

Again, startup **MasterPCB** helps to identify Covid-19 suspects via sensors and monitors, protecting infected people by offering critical care ventilator equipment, says Suresh Kondepati, CEO, MasterPCb.com.

Marut provides end-to-end drone solutions. It has deployed drone technology for spraying of disinfectant through drones for the sanitisation of large areas. These drones can carry up to 10 litres of disinfectant and cover about 20 kilometres. Marut drones have disinfected a 1900 km radius area with 9800 litres of chemical in eight districts of Telangana besides conducting real-time drone surveillance.

Exprs has launched a #ShieldMy-Community campaign for ga ed communities. The startup provides selected, dedicated on-campus delivery executives for gated communities. The second service launched by the startup is Exprs Essentials, an intra-city delivery service of essentials. Those with emergency and essential requirements choose the pickup and delivery points within the city, and the service fulfils the orders.

Tericsoft has launched an AI-based computer vision device for detecting persons who are coughing, tracking the number of people moving in and out of designated premises and monitoring individuals' body temperature in a crowd.

COVID & HR TECH

How HR can use smart AI tools

From wearables like Tracesafe to AI tools from Ahura, many digital devices can be mainstreamed by HR for better productivity

Uma Ganesh

COVID-19 AND THE resultant impact on the economy have necessitated growth oriented organisations to rethink their business offerings, processes and business models. Business leaders are engrossed with the thinking around how to rejuvenate their businesses using lean principles with an eye on preserving their cash. HR leaders are therefore required to support their business leaders in purposeful ways which would enable the businesses to continue to function while the changes are being introduced.

At the heart of this change management process is people and this is the time that businesses would need to know what talent to retain, what new specialist talent to hire and how productive is the talent that is working from home. There are many digital technologies that have transformative impact on HR but have not yet become mainstream. Now is the time that business and HR would see significant advantage in adopting them.

AI and analytics tools, for instance, have been implemented in various functions but not so much in HR. In these times, these tools could enable swift and smart decision-making that can not only save capital but also have the ability to help build the future with smart resourcing and realignment of resources retained who could be quickly upskilled or cross-skilled based on the detailing of their competencies.

With work from home having become an essential way to continue to do business, HR managers would have to work in close tan-

dem with IT managers in the areas of data security, confidentiality and compliances. Many organisations 'certify' employees for their knowledge of compliances based on the online courses employees are advised to take. Smart AI tools from startups like Ahura are now being deployed for checking the exact time spent on the material vs watching TV or spending time on social media during the course and by monitoring their eye contacts it is now possible to provide meaningful feedback to the employees as well as their managers on the efficacy of learning.

Wearables have been touted as fashion accessories and there have been attempts to use them in the context of fitness and health but have not become mainstream so far. Covid- 19 is probably the reason why employees could be encouraged by HR managers to adopt wearables as they would be able to access data related to corona virus parameters and alert employees from the likely infection or coming to work or manage quarantine processes. Smart wrist band Tracesafe used in Hong Kong could be used to suggest which employees should work from home necessarily and thus prevent the entire office going into quarantine mode.

Since remote learning has come to stay, L&D managers have to identify learning platforms which not only have the ability to host content but can deliver content to employees as per their individual needs based on skill requirements. Since organisations would be interested in deploying a talent pool comprising employees as well as gig economy workers, HR and business managers would benefit by using learning and HR systems that provide real-time skills status and enable planning for upskilling or new resourcing based on this information.

New business models, changes in work norms and new methods for assessing people – not by experience or education but on their sheer capabilities would be adopted by organisations. Digital transformation that has skipped HR function in many organisations has now assumed urgency and as a result we would see several digital technologies that have been given cursory consideration in the past getting assimilated and becoming mainstream.

The writer is chairperson, Global Talent Track, a corporate training solutions company

Tech Bytes

Smart policing with NEC Technologies

NEC TECHNOLOGIES India has helped Gurugram Metropolitan Development Authority (GMDA) convert its smart city control centre into a war room to combat the spread of coronavirus in the city. The integrated command centre has been set up to coordinate traffic management and to maintain law and order in the city. NEC's Intelligent Traffic Management System (ITMS) is used to keep a tight vigil on human and vehicular movements during the lockdown period, especially in areas inside the red zone. The teams stationed at the war room will provide real time updates of anomalies that potentially impose a threat to the communities. In some selected areas, NEC has also deployed a special analytics function on selected cameras for crowd control to ensure appropriate social distance measures are in place to mitigate community transmission of the virus. This feature will send alerts to the control room as soon as it detects five or more people moving in any of these CCTV cameras. NEC also provided special training to the authorities on managing the live cameras and alerts.

In 2019, NEC Technologies India was selected as the master system integrator by GMDA for public safety and adaptive traffic management system project in Gurugram and Manesar.

Social distancing matters too

TECH SOLUTIONS that allow for contactless functioning are gaining prominence amidst the Covid-19 lockdown and social distancing. Towards this, Vehant Technologies, a leading player in AI/ML-based physical security and surveillance solutions has introduced Covid Analytics, an AI and computer vision-driven image analytics solution that caters to the Covid-19 related violations.

Vehant's AI program detects violations of face mask norms, social distancing norms, and vehicle movement detection through automatic number plate recognition during movement restrictions imposed by the administrative authorities. This system can be deployed on shopfloors, construction sites, manufacturing units, traffic lights/junctions, airports, and business parks among others.

Kapil Badreja, CEO and co-founder, Vehant Technologies said, "Covid Analytics Suite is suitable for implementation in any existing surveillance system. With minor tweaking in the camera positioning and configurations, great results can be obtained."

Gadgets

NEW KIDS ON THE BLOCK

These mobiles will hit the stores soon

The lockdown has stalled the rollout of the latest handsets. On the brighter side, popular brands will witness pent-up demand once the lockdown is lifted. Here are some of the smartphones slated to hit the market soon

SUDHIR CHOWDHARY

Nokia 5.3

The Nokia 5.3 comes with a quad camera, the latest Qualcomm Snapdragon 665 mobile platform, a large 6.55-inch screen and the signature two-day battery life. The AI-powered quad-camera helps capture the perfect shot even in dim light, thanks to Night Mode. Wide-angle and macro lenses help you capture close-ups, or wide, scenic shots. The Nokia 5.3 has a durable yet stunning, Nordic-inspired design, comes with Android 10 and gives fans faster access to Google Assistant via the dedicated button.

Infinix Hot 9 & Hot 9 Pro

Infinix is expected to launch two new smartphones from its Hot Series — Hot 9 and Hot 9 Pro. Hot 9 is expected to come with a display size of at least 6.5 inches. It is likely to feature a Waterdrop notch on the display to house the front-facing camera. The device should also run Android 10 out of the box. In addition, Infinix may also launch Hot 9 Pro which is expected to have a 6.6-inch display, 4GB RAM, 64GB storage and Android 10 operating system. We may also see a fingerprint scanner in Hot 9 Pro.

Nokia 5310

Reimagining the original Nokia 5310 Xpress Music, the Nokia 5310 brings with it an MP3 player and FM radio, combined with powerful, dual front-facing speakers letting you carry your favourite tunes with you on the go. You can see what's playing at a glance with the clear, curved display of the Nokia 5310.The Nokia 5310 remixes classic design with a slick new feel and battery that's built to last, keeping you connected day after day.

realme Narzo 10/10A

realme, one of the fastest growing smartphone brands in India, is gearing up to launch its latest Narzo series. This will be a complete power-packed series with budget and flagship smartphones customised for GenZ. Considering the growth that realme has witnessed since its inception in 2018, and the innovation it has brought in the industry, the realme Narzo series will enable the brand to continue its legacy of power and style. The new series will deliver maximum performance in this price segment, and will support unique designs created by the Japanese designer Naoto Fukasawa.

ZOOM 5.0

Your video calls are now safe and secure

FE BUREAU

THE LATEST UPDATE to Zoom video conferencing app is now generally available. This release delivers one of Zoom's most advanced security enhancements to date with support for AES 256-bit GCM encryption, which provides added protection for meeting data and greater resistance to tampering. What does this new encryption algorithm mean for you, and what other security functionality should users be aware of? Here are five things that answer your queries about Zoom 5.0:

AES 256-bit GCM encryption

Zoom 5.0 supports the current encryption and GCM encryption. A system-wide account enablement to GCM encryption will occur on May 30, 2020, and only Zoom clients on version 5.0 or later, including Zoom Rooms, will be able to join Zoom Meetings starting May 30.

Report a User feature

Meeting hosts and co-hosts can report a user in their meeting who is misusing the Zoom platform. Found in the Security icon, the option sends a report to Zoom's Trust & Safety team for review.

New encryption icon

A new encryption shield appears in the upper left of Zoom Meeting window and indicates a secure, encrypted meeting. After May 30, the shield will be green, denoting enhanced GCM encryption.

Enhanced data center information

Meeting hosts can now select data centre regions at the scheduling level for meetings and webinars. The Zoom client also shows which data centre you're connected to in the Info icon.

Ending/leaving meetings

Zoom has refined the action of ending or leaving a Zoom Meeting to make it easier and more secure. With a new UI update, hosts can decide between ending or leaving. If the host leaves, they can select a new host and have the confidence that the right person is left with host privileges.

Additional security enhancements:

Profile picture control: Account admins and hosts can disable the ability for participants to show their profile picture and prevent changing it in a meeting.
Minimum password length: This will be six characters for meetings, webinars, and cloud recordings.
Cloud recording security: Admins and meeting hosts can set expirations on their cloud recordings and can disable the sharing of their recordings.

Updating to Zoom 5.0

Zoom end users: Upgrade to Zoom 5.0 by visiting the Zoom download page.
Zoom administrators: Get detailed information on how to manage this update for various endpoints in your environment on the Zoom 5.0 IT administrators page.

Investor

MONDAY, MAY 4, 2020

EXPERT VIEW

We continue to value Grasim's standalone business at 7x FY22e EBITDA. We apply a conglomerate discount of 55% to the stock, in line with the spot discount

—HSBC

GRASIM INDUSTRIES RATING: **HOLD**

Covid-19 has worsened outlook for VSF business

There's absence of catalysts to narrow the holdco and conglomerate discount that has risen of late; 'Hold' retained with TP of ₹550

WE SPOKE WITH Lenzing (LNZ AV, EUR49.50, not rated), a leading global VSF producer, to better understand the current demand and pricing environment for viscose staple fibre (VSF). The key takeaways from our discussion were:

COVID-19 has severely impacted apparel demand

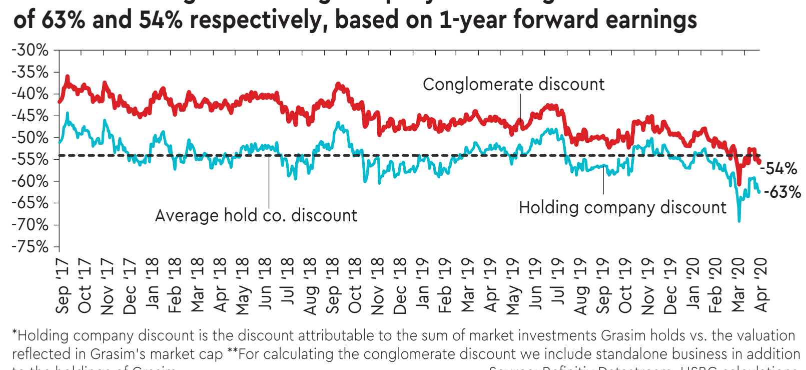
With retail stores accounting for 75% of apparel sales in the US and Europe, textile and hence fibre demand has been significantly impacted due to COVID-19. Physical store sales in the US have completely evaporated in the last four weeks. Although online sales have been resilient, it has only partially offset the impact of physical stores being shut. Lenzing believes apparel demand in the APAC region should reach pre-COVID levels by Q3CY20, while Europe and North America will reach those levels only in January 2021. However, given the uncertainty surrounding the pandemic any assessment of the impact is fraught with risks. Lenzing had earlier guided for its 2020 results to be below 2019. However, current uncertainty has resulted in Lenzing suspending its guidance for 2020.

China VSF inventory at record levels

VSF inventory in China, which accounts for more than 50% of VSF production, has reached record levels with current inventory at 45 days; three times the long-term average of 15 days. Prices have fallen further in the last two weeks in China with standard VSF currently trading at RMB9,200/t. Lenzing believes the situation remains dire for several VSF producers in China as they are making cash losses of more than RMB2,000/t at spot prices.

As a result, capacity utilisation continues to decline from 80% in January 2020 to 65% currently. Lenzing believes there is a high probability of 500kt (c8% of global VSF capacity) expansion in 2020 getting deferred. However, the outlook for VSF prices looks challenging unless there are further capacity cuts or a sharp recovery in demand, as per Lenzing.

Grasim is trading at a holding company* and conglomerate discount of 63% and 54% respectively, based on 1-year forward earnings**



*Holding company discount is the discount attributable to the sum of market investments Grasim holds vs. the valuation reflected in Grasim's market cap **For calculating the conglomerate discount we include standalone business in addition to the holdings of Grasim

Source: Refinitiv Datastream, HSBC calculations

Negative read-across for Grasim's VSF business; reiterate Hold

Our discussion with Lenzing further reinforces our negative outlook for the VSF business, as highlighted in our recent note. We believe COVID-19 has further deteriorated the already fragile outlook for VSF and the Caustic Soda business. We fail to see any catalysts that can narrow the holding company (holdco)/conglomerate discount that has risen by 10% in the past year. We maintain our **Hold** rating on Grasim Industries' stock with an unchanged target price of ₹550. We continue to value the standalone business at 7x FY22e Ebitda. We apply a conglomerate discount of 55% to Grasim, in line with the spot discount.

HSBC

GAS UTILITIES

Industrial PNG, CNG volumes to take a hit

FY21/22e EPS lowered by 22-33/9-13%; softer LNG prices a positive; GUJGA and MGL are to be preferred

WE EVALUATE THE impact of COVID 19 on CGD sector and trends in domestic gas costs, LNG and crude. COVID 19 can hurt CNG and industrial PNG volumes in the near term prompting us to lower our FY21e/22e volumes by 18-25%/8-12%, which results in 22-33%/9-13% cut in FY21e/22e EPS. But the sector is helped by lower domestic costs and softer LNG prices amid flattish petrol/diesel prices despite lower crude. We prefer GUJGA (Buy) and MGL (Buy) over IGL (Hold).

CNG: With commuting sharply impacted, we estimate CNG volumes (~ 75% of MGL/IGL volumes, ~ 15% of GUJGA volumes) to be ~ 90% lower than normal during lockdown in Mumbai and Delhi. This could lead to ~50% y-o-y decline in overall volumes in Q1FY21e for MGL/IGL.

Domestic PNG: Domestic PNG (~ 10% of volumes) could however be much more resilient but customer additions would be challenging till the situation normalises.

Industrial PNG: Industrial PNG (~ 80% of GUJGA volumes, ~ 15% of MGL/IGL volumes) though could suffer materially. Eg: Morbi units are currently not operational but we expect them to restart operations in the next ten days.

Revisions: This prompts us to cut our volume estimates for CGD in FY21e/22e by 18-25%/8-12% respectively. With limited operating leverage, the downward revision in Ebitda stands at 17-26% for FY21e. The resulting FY21e/22e EPS cut is 22-23/9-11% for MGL/IGL (debt free) and 33/13% for GUJGA.

Balance Sheet: We expect the companies to be FCF positive in FY21e despite the disruption. Even otherwise, MGL and IGL are net cash while the balance sheet of GUJGA looks robust too at a modest 1.5x net debt/Ebitda amid positive FCF.

Domestic gas reset: Domestic APM gas price was lowered by ~ 25% for 1HFY21e to \$2.7/mmbtu NCV and we expect it to reduce further to near \$2/mmbtu over the next year. With domestic gas being the feedstock for CNG and domestic PNG (~ 85% of volumes for MGL/IGL and ~ 20% of volumes for GUJGA) MGL's price cut of ₹2/kg could provide scope for near term margin expansion while IGL took a price cut of ₹3.2/kg in line with margin neutral cut at 76 INR.

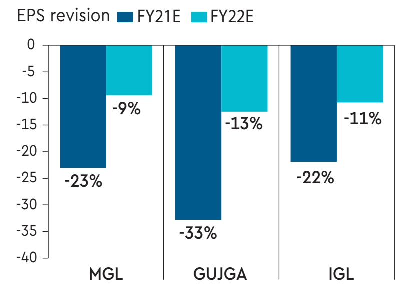
We have retained target multiples at 16x for MGL and 20x for GUJGA and IGL but cut PT to ₹1,290 for MGL (from ₹1,410), ₹320 for GUJGA (from ₹360) and ₹430 for IGL (from ₹470)

LNG/crude: Lower crude has hardly translated to lower petrol/diesel prices (down ~ ₹1.5/l since Mar) leaving CNG at ~40-55% discount to diesel/petrol. Impact of lower liquid industrial fuel price for GUJGA can be mitigated by lower LNG costs (can be passed through), limited competition in Morbi and regulatory push against dirty fuels in other areas too.

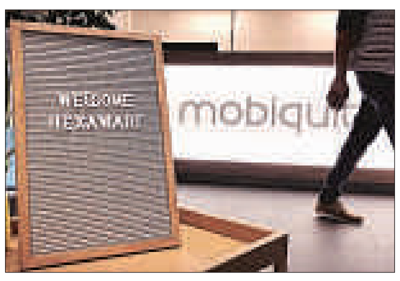
Recommendation: CGD sector has outperformed the broader market (IGL up 10%, GUJGA flat, MGL down 10%) in 2020 (Nifty down 23%). We have kept our target multiples unchanged at 16x for MGL and 20x for GUJGA and IGL but lower FY22e EPS results in a PT of ₹1,290 for MGL (from ₹1,410), ₹320 for GUJGA (from ₹360) and ₹430 for IGL (from ₹470). Indeed, rich valuations at 22x FY22e P/E keeps us on the sidelines for IGL while we continue to prefer GUJGA (policy support, lower regulatory risk and less mature area profile) and MGL (margin expansion catalyst, solid balance sheet/FCF and modest valuation).

JEFFERIES

We revise downwards our FY21E/22E EPS by 22-33%/9-13%, respectively



Source: Jefferies estimates, company data



HEXAWARE TECH
RATING: **ADD**

A subdued quarter for the company

Margins expected to fall in CY20e; downgraded to 'Add' with reduced TP of ₹330

HEXAWARE REPORTED A subdued Q1CY20 with revenues declining by 1.1% q-o-q in CC terms and like to like Ebitda margin (excluding IndAS-116 benefit in Q1CY20) declining by 150bps q-o-q. Covid-19 impaired revenues by 2-3% in Q1CY20 with the impact likely to be higher in Q2CY20 though better calendar should be a moderate offset. Impact of Covid-19 on Ebitda margins was 100-120bps in Q1CY20 with there to be further drags in Q2/Q3 CY20 in our opinion as utilisation gets incrementally impacted and some pricing concessions flow through.

Hexaware's margins adjusted for Covid-19 and IndAS-116 will decline in CY20 in our opinion, which would mark the 7th consecutive year of decline in margins. Management believes that the impact of Covid-19 will likely be lower than for their peers especially given exceptionally positive feedback received from customers. However, we would be watchful of the near-term business impact in stressed verticals like Travel & Hospitality and eventual second order impact in segments like asset management.

Retain positive stance but downgrade to ADD: Contrary to perception, customer experience transformation including Mobiquity, which is perceived to be a discretionary spend area actually did well in the quarter which the management expects to continue as a trend. Likewise, management expects demand in the BFS and Hi-Tech & Professional Services segments to remain relatively resilient in Q2CY20 as well. IMS growth should also gradually recover. Company did not announce any dividend in the quarter and we see less scope of a payout even in Q2.

Valuation of 14x CY21e EPS is reasonable but we downgrade to **Add** as we reset target multiples across our coverage. Our TP is revised to ₹330 (prior ₹430) based on 15x Mar'22e EPS (earlier 16x Mar'22e EPS).

ICICI SECURITIES

Year to Dec	CY19	CY20E	CY21E	CY22E
Revenue (₹ mn)	55,825	60,836	66,012	73,203
Rec. Net Income (₹ mn)	6,582	5,498	6,405	7,295
Rec. EPS (₹)	21.2	18.2	21.2	24.1
% chg Y-o-Y	9.8	(14.3)	16.5	13.9
P/E (x)	13.9	16.2	13.9	12.2
CEPS (₹)	23.2	24.0	27.4	31.0
EV/E (x)	10.1	10.1	8.9	7.8
Dividend Yield (%)	2.9	1.2	2.7	3.4
RoCE (%)	23.8	15.6	15.1	15.8
RoE (%)	25.5	18.5	19.0	19.3

Source: Company data, I-Sec research

Personal Finance

MOTOR INSURANCE

Making third-party cover more equitable

The motor third-party obligation of each insurer should be linked to the number of vehicles insured instead of premium derived from this segment, says Irdai panel

SAIKAT NEOGI

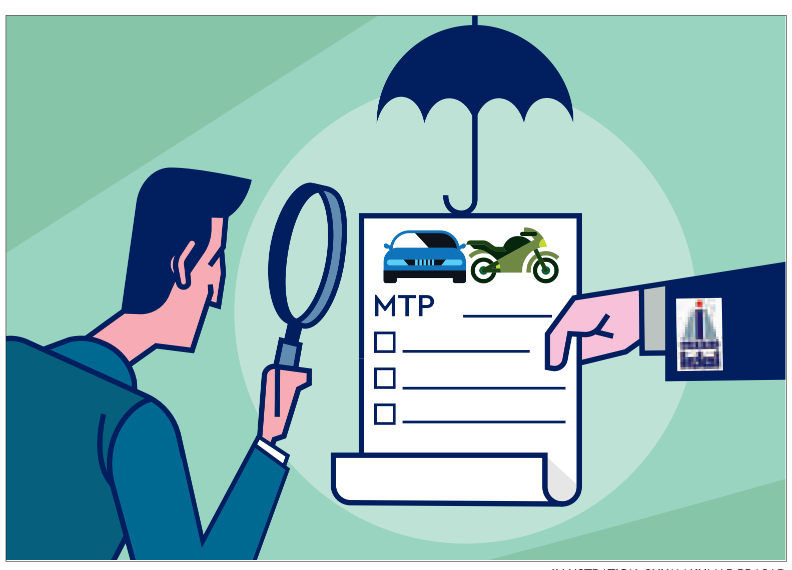


ILLUSTRATION: SHYAM KUMAR PRASAD

IN ORDER TO MAKE THE motor third-party (MTP) insurance formula for calculating the obligation of insurers flexible and equitable, the insurance regulator has suggested that the mandatory cover should be a function of number of vehicles insured or uninsured and not of premium derived from the MTP insurance business.

The panel has also suggested that any new player licensed to underwrite motor insurance for the first time may be exempted from the obligatory requirement during the first two financial years of its operation. At present, all non-life insuers have to underwrite MTP covers.

According to the Insurance Regulatory and Development Authority of India (Irdai), the need for review of the existing system of MTP arises because in the present system the current MTP obligation is not known to the insurers in advance, as the audited data required for the formula is not available till the middle of the financial year. Experts say a standard formula is needed which will help insurers to self-assess their obligation at any point in time in the year without any regulatory intervention. Also, an increase in the number of insured vehicles could bring down the rates as the risk pool becomes larger.

Present system of third-party obligation

At present, the prevailing annual MTP obligation of the insurers is based on the quantum of premium collected by the insurers on any given year out of motor third-party business. The Irdai panel notes that the premium collected by the insurers out of motor third-party business is neither representative of the market penetration of motor third party insurance nor to drive the impetus for increasing penetration. The MTP obligations are not known to the general insurers until middle of the financial year, making it difficult for insurers to plan their obligations well in advance. Every year, the regulator fixes the MTP rates. It analyses the claims paid in each year and the gross written premiums.

As the premium difference between vehicle segments is very high, collection of larger premium does not necessarily represent insurance of more vehicles. As a result, two-wheelers which form the bulk of vehicles plying in the country could not be brought into the insurance net.

A report by Insurance Information Bureau of India (IIBI) shows that out of around 22 crore vehicles plying on the road as on March 31 last year, the percentage of uninsured vehicles is nearly 58%. These are mostly two-wheelers, which account for 70% of the total vehicles in the country. While most private cars are insured, around 45% of commercial vehicles are not insured. The risks of accidents are high for both two-wheelers and commercial vehicles.

Mandatory cover and claims

Under the Motor Vehicles Act, any vehicle that plys on the road needs mandatory MTP cover. The third-party liability is decided and awarded by the judiciary taking into account the age of deceased, earning capacity, wages, etc., which keep rising due to inflation and other factors. The reported claims frequency is the highest for the goods carrying segment, followed by passenger vehicles and private cars.

Way ahead

The regulator's working report says that all vital ratios of the government with respect to monitoring motor vehicles are in terms of the count of the vehicles such as vehicular population and vehicular density. The report notes that that is a natural tendency on the part of insurers to pursue the class of vehicles which is profitable. As a result, the class of vehicles with lower premium size or those with higher loss behaviour is left neglected and leads to an imbalance in the distribution of risk among the insurers. Experts say the new formula will help in increasing vehicle insurance penetration and help insurers to have a well-set-out plan for MTP obligations in advance.

Tips for financial wellness in uncertain times

Contingency planning, taking heath insurance and avoiding unnecessary expenses is critical

YOUR MONEY

AMARPAL S. CHADHA

OVER THE LAST FEW YEARS, the concept of financial wellness has been gaining importance and with this Covid-19 pandemic, it has become even more relevant to be ready to deal with financial emergencies and cash flow issues. World over, financial wellness has become an essential part of the education curriculum for the younger generation across universities, teaching them how to manage their funds/student loans even before they step into the working life.

Financial wellness means to be fiscally (money-wise) healthy. It means that you know how to manage money and can establish short-term and long-term financial plans. It means to spend money smartly while securing your financial goals, commitments and have enough resources in case of uncertain times. Here's what you can do in the coming days:

Know your investments

Having a good knowledge about your financial position is very important and it helps you define your goals. First, list your financial assets and maintain proper financial records. This will help in distinguishing funds for immediate use, should the need arise. Second, have a statement of your assets/liabilities prepared and categorise them in accordance with your financial goals. Third, classify your assets between liquid assets (banks accounts, mutual funds, etc.,) and capital assets (properties and fixed term investments).

Pay adequate attention to inevitable commitments such as bank loans and

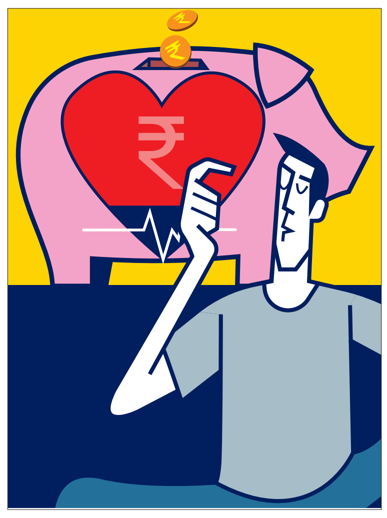


ILLUSTRATION: SHYAM KUMAR PRASAD

plans to meet them endlessly. List the details of insurance policies and coverage. Do you have a will? And does it rightfully serve the needs of your family? Keep nominee details updated. Keep your trusted family member or friend apprised about the financial records and policies.

Right decision at right time

The pandemic has brought along uncertainties and hence meeting short term goals and having liquid funds at disposal has become the priority. Moratorium has been announced on payment of loans for three months. However, since the interest on loan for this period will still be accrued and added to the outstanding balance, try to pay EMIs. With relaxation on timelines for payment of insurance premium, one should not only take advantage of paying premium on life/health insurance within the extended time but also claim the available tax benefits.

Unnecessary expenses should move to the backburner and spending should be focussed on creation of assets which can help in times of distress. Purchasing health and life insurance is important now.

Contingency planning

Have a contingency plan to ensure short-term liquidity. Make efforts to identify and pursue alternative means of regular income. Plan your expenses and loans based on your current income level.

To sum-up, financial wellness is important because we do not act rationally in times of distress. Hence, now is the time to focus on the reality knocking at the door.

The writer is tax partner & India Mobility Leader, EY. Inputs from Shanmuga Prasad, director, EY

BrandWagon

MONDAY, MAY 4, 2020

NUMEROLOGY

Covid-19 impact on the digital landscape:

- **33%** decline in traffic on food ordering apps
- **24%** increase in visits on online gaming sites
- **61%** increase in visits on general news websites

— Carat India

FMCG

Immunity products in demand

Items such as honey, chyawanprash and Ayurvedic capsules are witnessing an upsurge in sales

DEVIKA SINGH

In the wake of the Covid-19 pandemic, there has been an increased consumer interest in Ayurvedic products that are believed to help boost immunity. According to a report by Nielsen, in March 2020, the demand for honey was up by 35%, for chyawanprash by 81%, and turmeric by 38% in modern trade stores.

The renewed interest in these products has partly been fuelled by the recommendations by the Ministry of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy (AYUSH) to fight coronavirus. These specifically mention the usage of spices like turmeric and coriander for cooking, and advises people to consume chyawanprash.

A report by native advertising platform Taboola reveals that page view traffic to articles on 'how to boost immunity' has seen a spike in recent months. The Taboola Network recorded 5.6 million page views for stories related to boosting immunity, the health benefits of turmeric and recipes for immunity-boosting foods.

"There is one message that is being repeated everywhere, which is that there isn't a cure yet for Covid-19, and it is better to boost your immunity to fight it. This has stayed with the consumer, and hence there is a widespread demand for these products," says Ankur Bisen, senior vice president, retail and consumer, Technopak Advisors.

Keeping up with demand

FMCG companies that manufacture Ayurvedic products, the likes of Dabur India and The Himalaya Drug Company, are seeing an uptick in demand from across the country.

"We are now working towards ensuring uninterrupted supplies of Dabur Chyawanprash across markets and channels during the lockdown," says Mukesh Mishra, marketing head – healthcare, Dabur India. The company says it is ensuring delivery of these products to consumers who are reaching out on social media.

The Himalaya Drug Company has increased its production capacity by employing more production lines and adding new facilities to meet the surge in demand.

"We are distributing stocks proportionally between trade houses and e-commerce platforms. We are also rationalising the stock, so that more people can avail the products," says Philipe Haydon, CEO, The Himalaya Drug Company.

Ayurvedic capsules manufactured by these companies are also seeing many takers. Haydon says. Guduchi tablets, from the company's Pure Herbs range, that augments immunity, have witnessed a threefold increase in demand.

Dabur India, too, has reported a similar trend for its Stresscom (Ashwagandha) capsules and Giloy ki Ghanvati (Giloy tablets). The company is promoting its healthcare products on TV and digital media.

Honey is emerging as another hot-selling product. E-grocery firm Grofers claims to have witnessed a 38% increase in the sale of honey from April 14-20, as compared to the pre-Covid period of February 14-20.

Here to stay?

Is this rise in demand merely owing to the situation or could this have a long-term impact on the consumption of such products?

Kaustav Ganguli, MD, Alvarez & Marsal, says, "Reports suggest that there could be multiple phases of this outbreak and, going ahead, we might see more peaks. In such a scenario, consumer habits around how they manage their health will undergo a change. Therefore, the trend towards consumption of immunity-boosting products might stay for the long run."

Pinakiranjan Mishra, partner and leader, consumer products and retail, EY, believes that for the demand to continue beyond the current circumstances, brands will have to constantly remind consumers about the need for these products. "They will have to keep communicating to consumers why it helps to have strong immunity and how their products help," he adds.

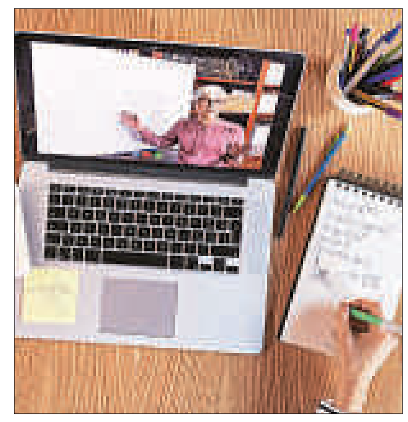
Industry watchers predict new brands entering this segment, and the existing ones launching new products. "Going ahead the companies operating in this segment will try to launch new flavours and variants," says Bisen of Technopak Advisors.

Keeping up with the rising demand will not be easy, Ganguli says, given the limited capacity in which the manufacturers are functioning. "They have been able to supply the products so far because retailers and distributors had stocks lying around. But, going ahead, supply could suffer as there is manpower shortage, as well as issues with the supply of raw materials and transportation," he adds.

ONLINE LEARNING

Record attendance

Edtech platforms are seeing a surge in new users and time spent



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WITH EDUCATIONAL INSTITUTIONS shut since mid-March, schools and students are resorting to a variety of digital education tools to ensure learning continues. As per a report by BARC India and Nielsen, there has been a 30% increase in the time spent on education apps on smartphones since the lockdown. For instance, time spent on the Byju's app has increased from 70 minutes (pre-lockdown) to 91 minutes during the lockdown. STEPapp, a gamified learning app, has added three lakh users since March 15, 2020.

The edtech sector — worth ₹15,000 crore as per a Google-KPMG report — has been battling challenges with low B2C market penetration. The current surge in usage, hence, is proving to be pivotal.

Building a habit

Responding to the high demand for online education solutions, edtech firms like Byju's, Toppr, Unacademy and Vedantu have launched free live classes for students. Toppr's free live classes are for students between classes 5 and 12. Unacademy's free live classes are available across exam categories like UPSC, bank exams and railway exams. Vedantu has offered free access to live packages, in which students can get doubts clarified live on the app.

Divya Gokulnath, co-founder and director, Byju's, says, "We have launched free live classes to help students who have been missing a schedule. The live classes will be conducted three to four times every week. The plan was to launch this feature later in the year; we decided to introduce it early because of the lockdown."

> **A BARC India-Nielsen report says there has been a 30% increase in the time spent on education apps on smartphones since the lockdown**

Edtech apps are hoping to build a habit and bring fresh users into the fold during this period. "While some may see live classes as a short-term relief, these offers will definitely help edtech platforms reach out to a larger set of audiences, who may not have seen this as being relevant to them in the past," says Gopa Kumar, COO, Isobar India.

Edtech platforms are also working with schools to develop ways in which teachers can come on board and use tools to impart learning. STEPapp, for instance, is getting private and government schools to adopt its app. "The service is being offered free of cost to some government school children for three months," informs Praveen Tyagi, its CEO and founder.

Educating new users

Normally, most edtech platforms offer annual academic subscriptions to students. On Byju's, a class 10 mathematics and science package costs around ₹30,000. An annual subscription for the academic year 2020-21 on Toppr starts at ₹20,000, while Vedantu's annual subscription for all subjects for a class 10 student costs ₹48,599. Given the high cost, the penetration of edtech platforms is limited, say experts.

Toppr has decided to bring down the cost of subscriptions to get more users to the platform. "We changed our product strategy and have created packages of shorter duration to help people tide over the current crisis. We now have three-month and six-month packages starting at ₹3,000," says Zishaan Hayath, CEO and co-founder, Toppr.

Both Toppr and Byju's have registered an increase in paid users during the lockdown — Toppr has seen a four-fold increase, while Byju's has seen its paid subscriptions double.

Edtech firms have also taken to digital media to acquire users and inform people about the free live classes on offer. There has been a 128% growth in digital ad spends by edtech apps during the lockdown, as per the BARC-Nielsen report. Interestingly, it is not just the big players spending on advertising. Kumar says newer edtech platforms, too, are investing in getting more users aboard. Doubtnut and Instasolv are among the smaller players who have launched campaigns on TikTok to drive brand awareness.

In The News

Shemaroo Entertainment launches Hindi GEC

SHEMAROO ENTERTAINMENT HAS launched its flagship Hindi general entertainment channel, ShemarooTV, with the tagline *Badalte Aaj Ke Liye*. It is a free-to-air channel available on all major DTH and cable networks. Its programming mix will have originals as well as popular shows such as *Devon Ke Dev...Mahadev* and *The Great Indian Laughter Challenge*.

Dish TV partners with MX Player

DISH TV INDIA HAS partnered with MX Player to offer video-on-demand content to its customers. Dish TV & d2h users will have access to MX Player's content through their Android set-top boxes.

Nivea ties up with Zomato, Swiggy

SKINCARE BRAND NIVEA has partnered with Zomato and Swiggy to enable deliveries of essential hygiene products to the consumers' doorstep in 60-90 minutes. This service, which started in Mumbai, is already available in more than 30 cities across India.

Motobahn

AUTO EXPO 2020

The year's biggest global auto show?

With four major global shows this year having been cancelled and two postponed, the Auto Expo 2020 could turn out be the year's biggest global auto show

VIKRAM CHAUDHARY

File photos of production and concept cars at the Auto Expo 2020

IN A TWIST of fate, the Auto Expo: The Motor Show 2020 might turn out to the world's biggest auto show of this year.

Auto shows, as we have known them for decades, are dying. Over the last couple of years, some global auto shows have gotten more attention for their impressive list of no-shows than for new vehicle unveils and launches.

For example, the International Motor Show Germany—started in Berlin in 1897 and held in Frankfurt from 1951 to 2019 (that's why it's informally called Frankfurt auto show)—will now be held in Munich 2021 onwards. One of the reasons for venue change was that, over the last few years, major companies either opted out of the show or greatly downsized their presence. Another reason was that Messe Frankfurt—the organiser—was unable to contain the environmental protestors blocking the entrances, leading to fewer and fewer visitors over the years (from 1 million in 2007 to 800,000 in 2017).

Then the North American International Auto Show (Detroit) got shifted from January 2020 to June 2020 in the hope of attracting more visitors and by adding outdoor events. Detroit also has been overshadowed by the flashy Consumer Electronics Show (CES) in Las Vegas that happens a week before (it's the latest hot spot for automakers to showcase their innovations). But the 2020 edition has gotten cancelled due to Covid-19; it'll now be held in June 2021.

The most glamorous of these all—the Geneva International Motor Show—got cancelled this year after Swiss officials banned gatherings of more than 1,000 people. According to a Bloomberg report, Geneva is where iconic cars such as the Ferrari 250 California Spyder, Porsche 904, Lamborghini Diablo and Jaguar E-Type were first seen.

The Auto Expo 2020

Despite major names skipping the event—Honda, Toyota, Ford, Nissan, Hero MotoCorp, HMSI, Audi and BMW, among others—the Auto Expo 2020, held from February 5-12 in Greater Noida, near Delhi, attracted 608,526 visitors, witnessed over 352 product displays from 108 exhibitors. This included eight global premiers, and over 70 product launches and unveilings. In addition, 35 electric vehicles were launched and 15 concept vehicles were showcased.

The show also saw new entrants such as Great Wall Motor, Olectra and Haima Automobile.

While during a normal economy year the Auto Expo isn't usually considered amongst the world's top shows—which include the Big Five (Detroit, Geneva, Frankfurt, Paris and Tokyo)—this year it might go down as the year's biggest auto show, simply because most other shows are likely to be cancelled or postponed.

The 2020 calendar

According to the Organisation Internationale des Constructeurs d'Automobiles (OICA), the global automotive trade association, four major global shows this year have been cancelled and two postponed. The major forthcoming ones are:

■ **Detroit, North American International Auto Show:** June 9-20, 2020 (Cancelled). The 2019 edition attracted 774,000 visitors.

■ **Jakarta, Gaikindo Indonesia International Auto Show:** August 6-17, 2020 (Will be held, as of now). The 2019 edition attracted 470,000 visitors.

■ **Moscow International Auto Show:** August 26-September 6, 2020 (Cancelled).

■ **Hanover, IAA Commercial Vehicles:** September 23-30, 2020 (Will be held, as of now). It's the commercial vehicle counterpart of Frankfurt auto show.

■ **Beijing Motor Show, Auto China.** It was due to open on April 21, 2020, but got postponed due to Covid-19. The new dates are September 26-October 5, 2020 (Will be held, as of now). In terms of visitors (over 800,000) it's bigger than the Auto Expo, but it remains to be seen how many people it will attract this year.

■ **Paris, Mondial de l'Automobile:** September 29-October 11, 2020 (Cancelled). With 1,253,513 visitors in 2016 and 1,068,194 in 2018, Paris is the most visited automobile event in the world, but it won't be held this year.

■ **São Paulo, International Transport Industry Trade Show** (Postponed).

(The first show that got cancelled this year was the Geneva Motor Show.)

The future

A Bloomberg report 'Coronavirus could end auto shows, once and for all' argues that "in a social media-obsessed environment, the pillars sustaining the need for an auto show had already started to wobble (before the Covid-19 impact)." But the show must go on. For example, when Geneva got cancelled, many automakers that had planned Geneva debuts shifted to social media and other digital platforms. In a post-Covid-19 world where social distancing norms are expected to stay for a while, don't expect huge, chock-a-block shows, at least for some time—auto shows won't die, but will have to change.

Around the World

Americans have 'run out of things to watch'

MINDSHARE'S LATEST COVID-19 tracking study has revealed that nearly half (46%) of American consumers have already run out of media content to watch, read or listen to. This is up from 33% a few weeks ago, and 30% at the end of March. The study also found that they are actively limiting the time they spend on media platforms to avoid reading, watching or hearing news about the pandemic.

Facebook backs publishers

AFTER GOOGLE, FACEBOOK has announced a $2 million investment to support publishers in the Asia Pacific region, and help them "build sustainable digital businesses". Publishers will also get help in mentoring and training journalists who are covering the pandemic.