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Business Today

May 17, 2020 ₹100

CLASHING TIGER, FUMING DRAGON

THE MODI GOVERNMENT TIGHTENS ITS GRIP ON INVESTMENTS FROM CHINA, SIGNALLING AN ADVERSARIAL ECONOMIC RELATIONSHIP THAT WILL REQUIRE DEFT MANOEUVRING TO STAY AHEAD

From the Editor

When Fear Feeds on Fear

Fear feeds on fear. There's no greater fear in world economies today than China, as countries grapple with the fallout of the pandemic that originated in the Chinese city of Wuhan. Was coronavirus a bio-weapon? Was it allowed to spread intentionally? Was it meant to destruct the world's biggest economies so that China could gain? Is China taking advantage of the global stock market crash to shore up equity in strategic firms? Those are just some of the questions leaders the world over are struggling to answer.

Most have already made precautionary moves to block any misadventure. Late March, the European Union (EU) was the first to flag to member states that healthcare equipment firms and research establishments may be takeover targets via the FDI route, asking them to set up FDI screening mechanisms. On April 8, Germany tightened rules protecting local firms from unsolicited takeovers by non-EU (read China) investors. France, Italy, and Spain followed with similar rules. So did the UK, Australia, Canada – even the US.

So, when the Chinese government-owned People's Bank of China (PBoC) triggered a notification to stock exchage regulator SEBI for surpassing 1 per cent equity holding in one of India's biggest and most respected housing finance companies, HDFC – which also owns the largest private bank HDFC Bank – it naturally set alarm bells ringing from SEBI, right up to the Ministry of Finance. PBoC already owned 0.8 per cent of HDFC. As HDFC's stock value crashed 32 per cent, it had only acquired an additional 0.2 per cent, a move that would be considered smart, coming from a portfolio investor. But with global moves to block such deals, the seed of suspicion had already been sown.

Since India's stock market crashed a hefty 23.4 per cent since the first coronavirus case was detected in Kerala, listed firms were particularly vulnerable. Was this a precursor to more such moves? Within days of PBoC's acquisition, the Centre moved in swiftly, amending FDI norms that mandate explicit government approval for FDI from contiguous countries. Since the rule already existed for Bangladesh and Pakistan, the aim was at none other than China. SEBI is doing its own groundwork to establish whether foreign portfolio investors such as PBoC also need to be brought under a similar rule.

The Chinese Embassy issued a scathing statement the following day, calling the move discriminatory and violating WTO norms. But India has stood its ground. Yet, this is just the beginning. Regulatory and a possible consumer backlash against Chinese investments, companies and products in India, coupled with the coming face-off to present itself as an alternative to China for manufacturing, will pit the two rivals against each other more often than not.

India is wooing 300-odd foreign firms pursuing production in the country as an alternative to China in sectors such as mobiles, electronics, medical devices, textiles and synthetic fabric. Last September, corporate tax for new manufacturers was slashed to 17 per cent, lower than in any country in South-east Asia.

The next target is reducing the nearly $58-billion trade deficit with China and Hong Kong. The government plans to reduce import dependence on China in sectors such as electrical equipment, active pharma ingredients (drug parks policy has been announced), optical fibre, flat rolled iron, boilers, tiles, sanitary ware, leather, suitcases, paper boards, silk, umbrellas and toys.

In the cover story, Sumant Banerji, Rukmini Rao and Niti Kiran examine what India's move means for Chinese investments, companies and trade.

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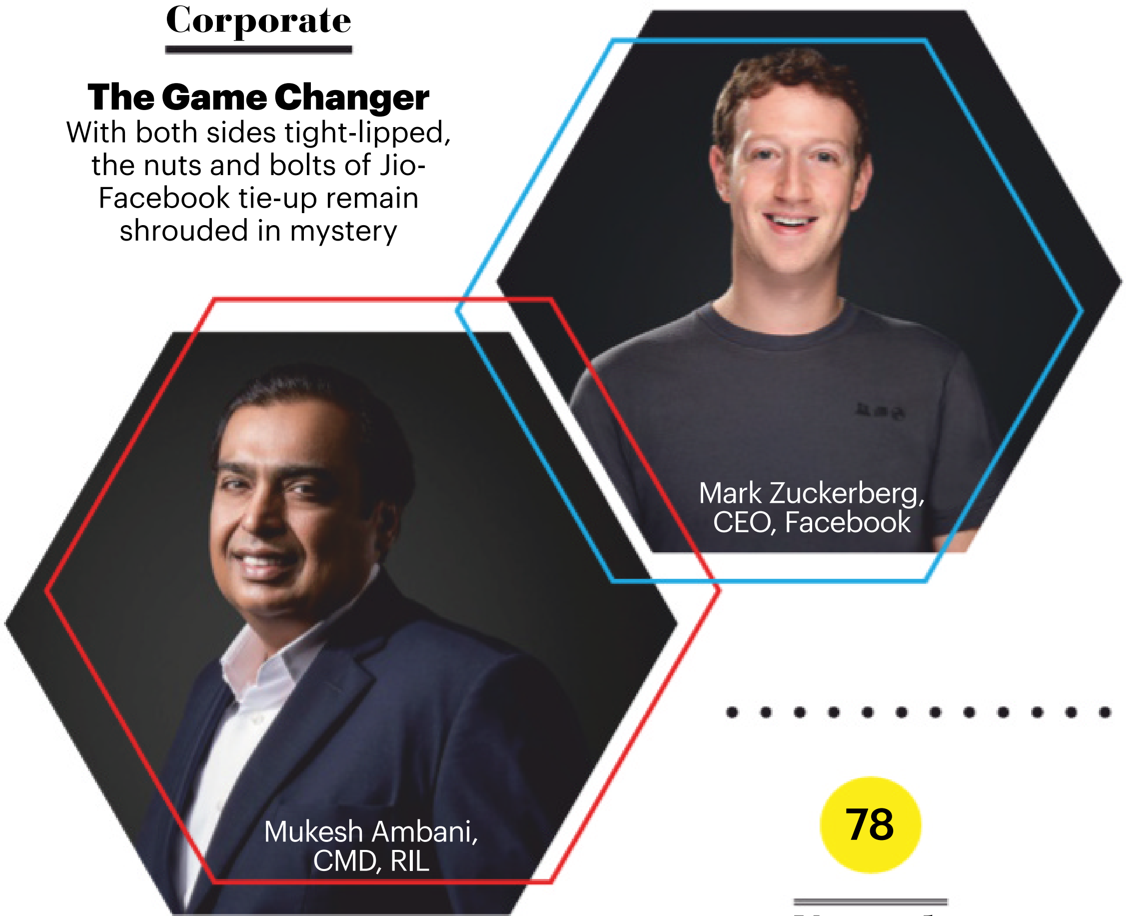

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"You are the custodian of the culture of the organisation"

Ramesh Iyer

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From time to time, you will see pages titled "An Impact Feature" or "Advertorial" in *Business Today*. This is no different from an advertisement and the magazine's editorial staff is not involved in its creation in any way.

The Point

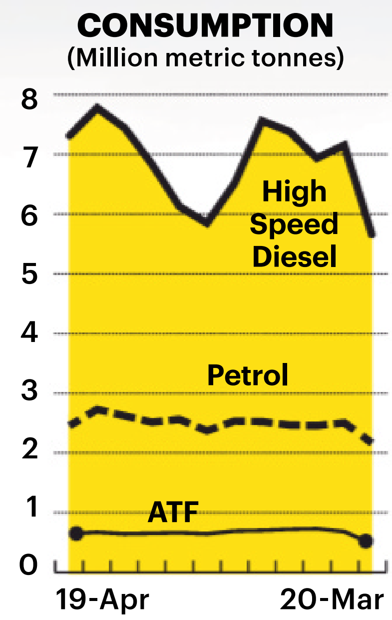
A FULL-BLOWN CRISIS

The devastating impact of coronavirus on the economy is becoming increasingly clear. Here is what high-frequency data shows

By **Shivani Sharma**
Graphics by **Tanmoy Chakraborty**

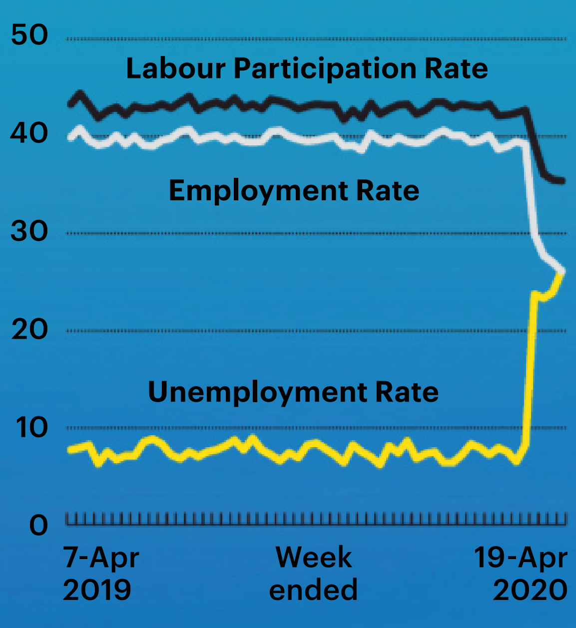
PETROL, DIESEL DEMAND SLUMPS

- India's fuel consumption slumped over 66 per cent year-on-year in April (till the 10th of the month)
- Petrol sales fell 16.37 per cent to 2.16 million tonnes in March; ATF sales down 30 per cent



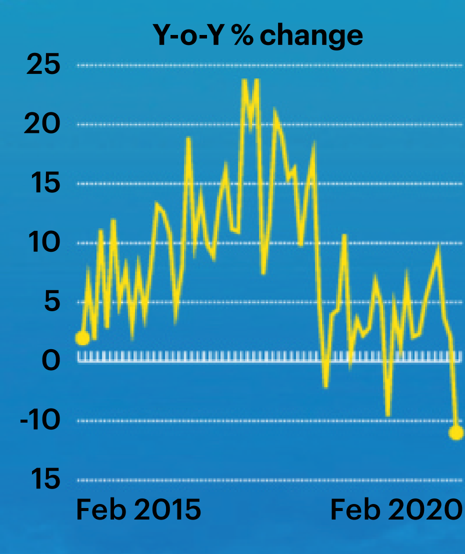
CORONAVIRUS BITES: UNEMPLOYMENT RATE TOPS 26%

- The labour participation rate fell to an all-time low of 35.4 per cent in week ended April 19
- The employment rate also fell to an all-time low of 27.7 per cent during the week
- Labour participation during March was 41.9 per cent. It was 42.6 per cent in February and 42.7 per cent in March 2019.



Source: Labour Ministry

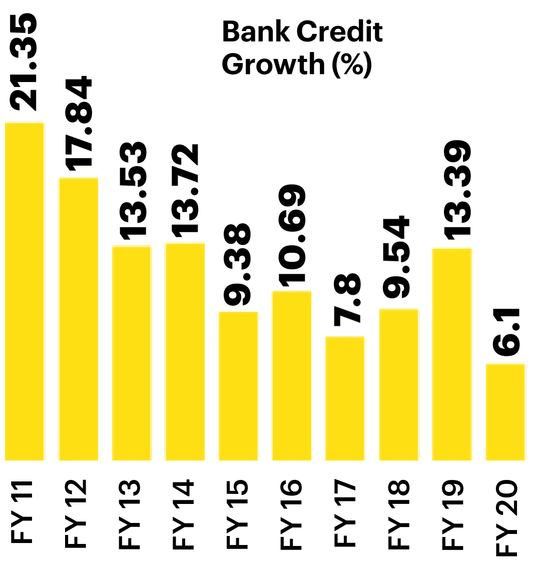
Foreign Tourist Arrivals Growth Hits Record Low



Source: Tourism Ministry

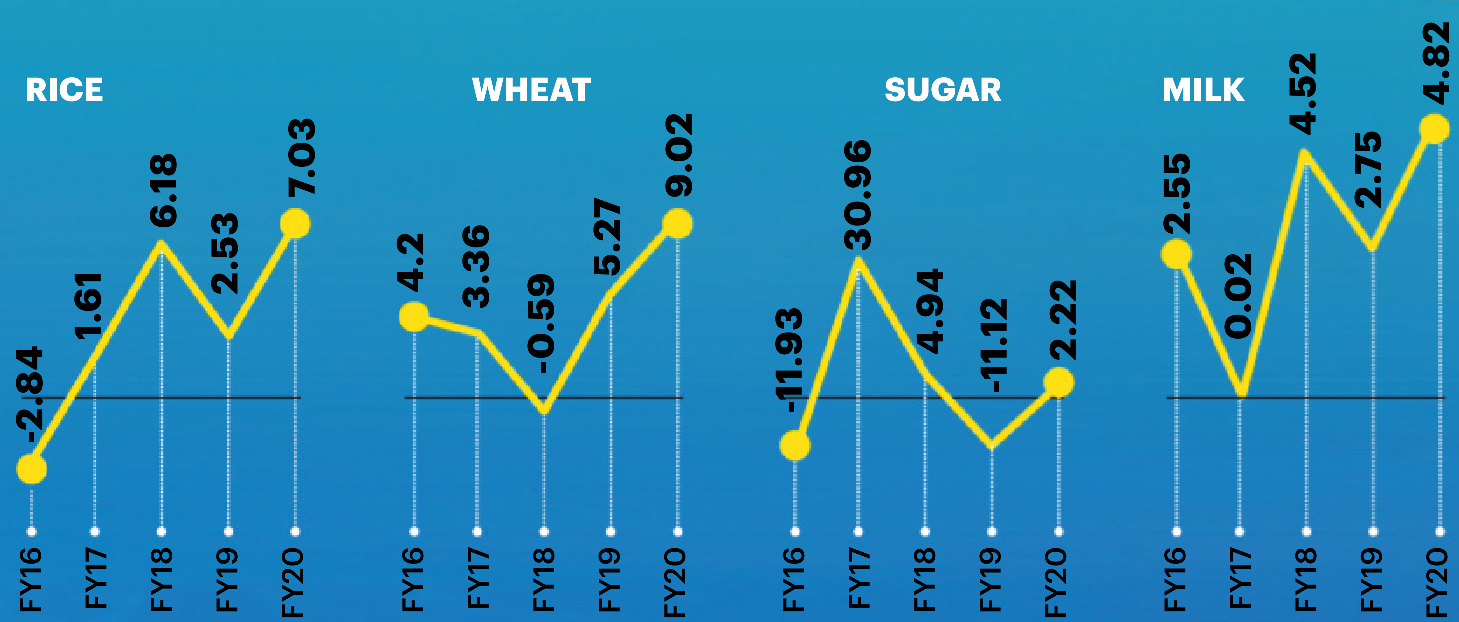
BANK CREDIT GROWTH FALLS TO 6.14%

- Year-on-year (y-o-y) growth in bank credit decelerated to 6.1% in FY20 from 13.3% in FY19
- Deposit accretion growth moderated to 7.9 per cent from 10 per cent in FY19
- Outstanding bank credit stood at ₹103.7 lakh crore on March 27. Banks raised deposits of ₹9.97 lakh crore in FY20 as against ₹11.4 lakh crore in the previous financial year



Source: RBI

Wholesale Prices of Essential Commodities Rise Sharply



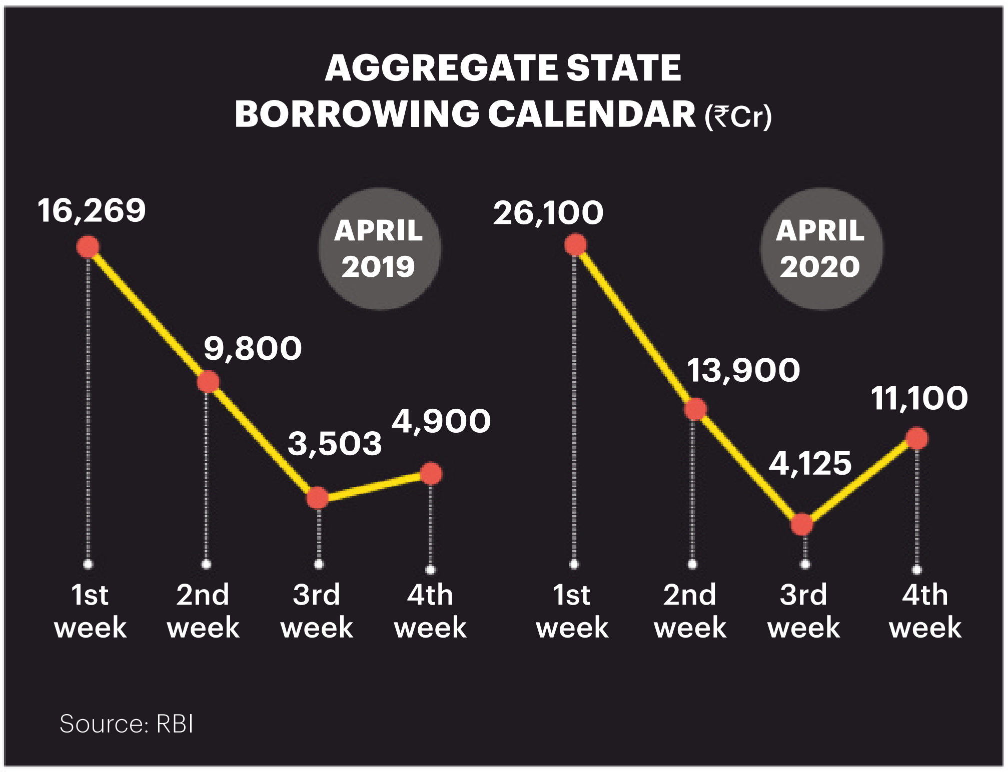
Wholesale Prices of Essential Commodities (%)

Source: Mospi

BORROWINGS BY STATES RISE SHARPLY AS ECONOMY SHUTS DOWN

➘With revenue falling, states are likely to borrow ₹55,225 crore in April, against ₹34,472 crore in April last year, a spike of 60 per cent

➘ The RBI has accounted for a 15 per cent year-on-year rise in aggregate borrowings by states to ₹1,27,205 crore in the first quarter of this year



NEW INVESTMENTS SLIP IN FY20

➘FY20 ended with new investments of ₹11.9 lakh crore; this is much lower than the ₹13.1 lakh crore in FY19

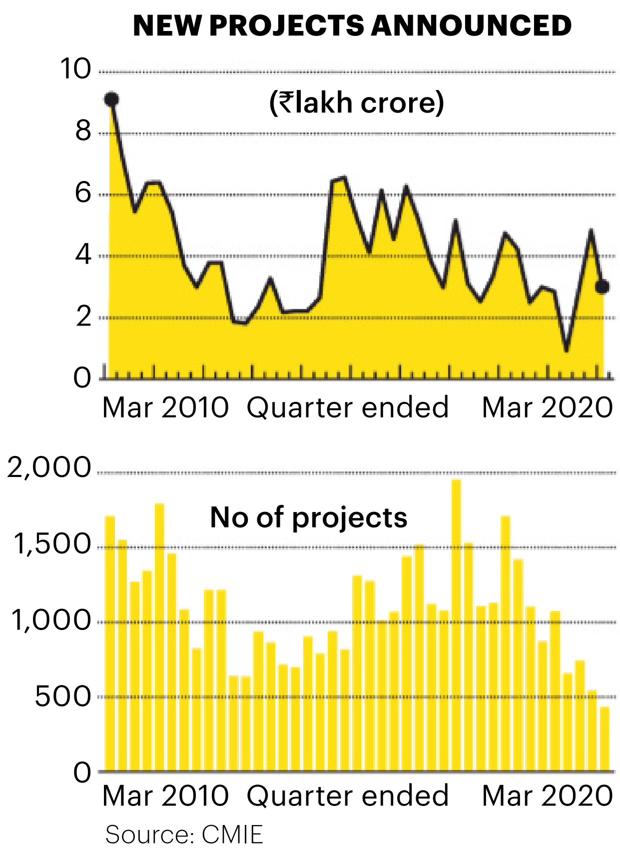
➘September and December quarters saw an improvement but new investments shrunk again in the March quarter, probably due to the shutdown

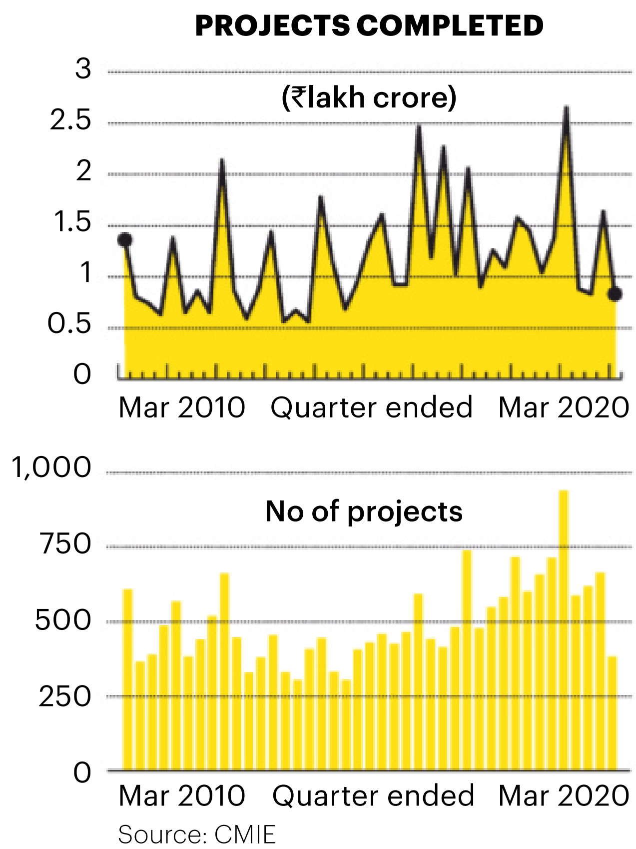
➘Of the 431 new projects announced during the March quarter, 44 were in the power sector

SHARP SLOWDOWN IN PROJECT COMPLETIONS TOO

➘Projects worth ₹76,400 crore were completed in quarter ended March 31, 2020; ₹4 lakh crore worth of completions were scheduled for the quarter

➘The completions during FY20, at ₹4.1 lakh crore, were 37 per cent lower than the ₹6.5 lakh crore in FY19



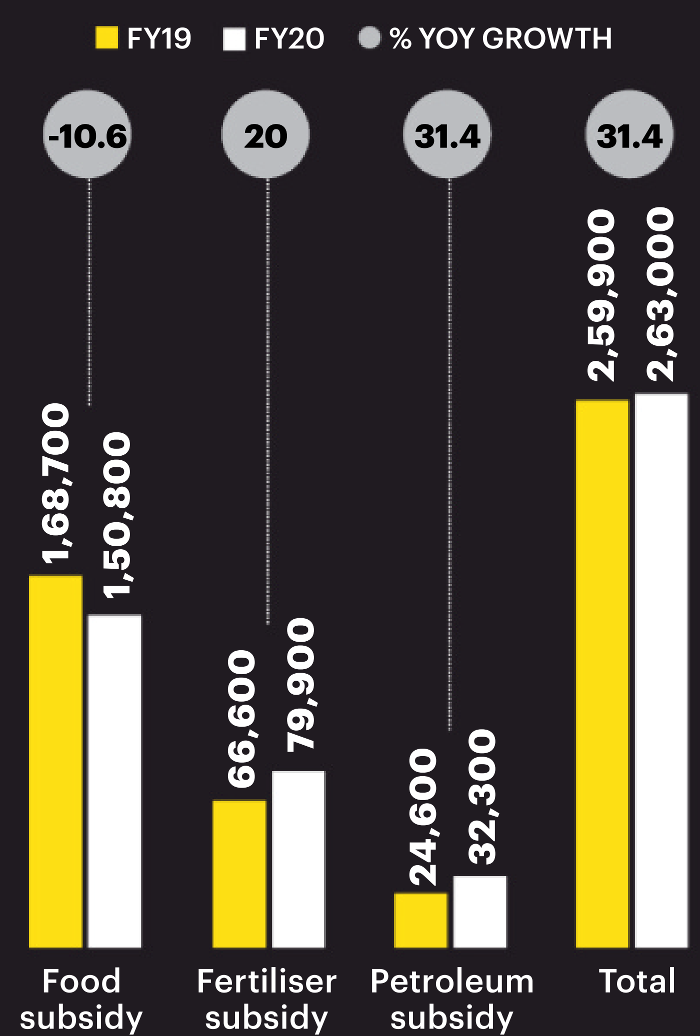


FOOD SUBSIDY FALLS; BAD NEWS FOR FCI

➘The Centre's food subsidy bill falls 10 per cent in FY20

➘This means — just as in previous few years — the Centre is transferring a major part of this burden to FCI

➘FCI debt has been ballooning; it rose to ₹2.65 lakh crore in March 2019, up from ₹91,409 crore in March 2014

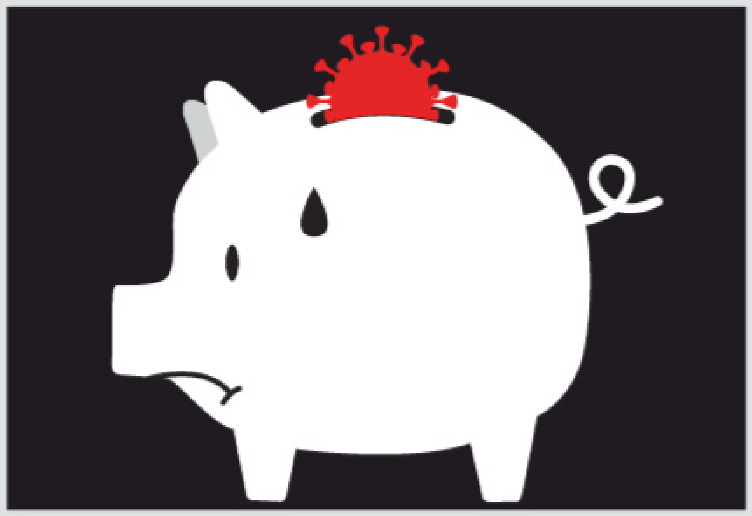


Source: India Budget, CGA, Emkay Research

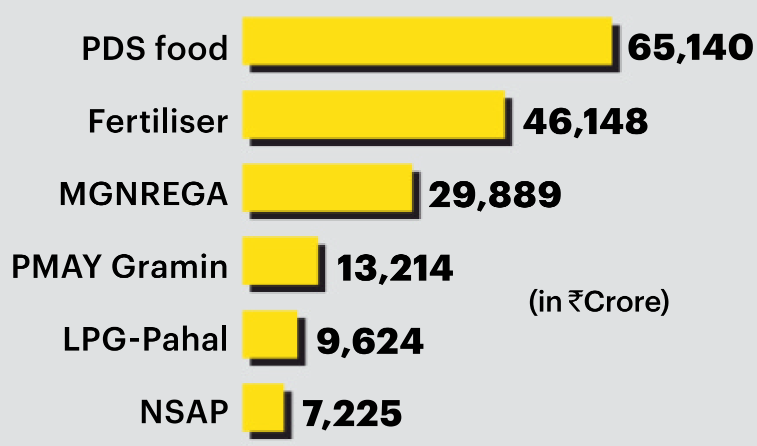
DIRECT BENEFIT TRANSFERS FALL 23% IN FY20

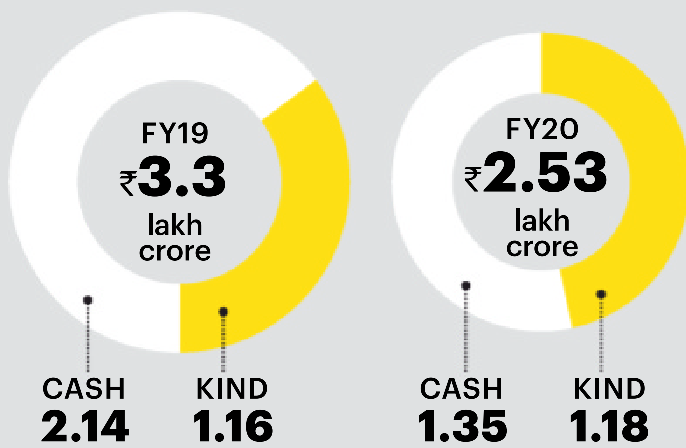
➘The Centre's direct benefit transfers (cash and kind) fell to ₹2.53 lakh crore in FY20 from ₹3.3 lakh crore in FY19

➘This is partly due to reduction in transfers under key schemes such as MGNREGA and Pradhan Mantri Awas Yojana-Gramin (PMAY-G)



DIRECT BENEFIT TRANSFERS TO MAJOR SCHEMES IN FY20





Source: DBTBHARAT.GOV.IN

RR GIFTING: HALLMARK OF TECHNOLOGY, QUALITY AND RANGE

Mr Mukul Vashisht, is the first-generation young entrepreneur in his family. An avid adventure sports person, he has given vent to his creative persona by starting a fledgling business of designing and developing gift products in 2007, which has made a credible name for itself in the corporate world. Passionate about his business, he believes that the 'gifting' industry has great potential and this motivates him to explore wider to come up with unique gifting products. He talks about RR Gifting, its journey and future innovative gift items.

Mukul Vashisht-PROPRIETOR

What made you choose developing gifts as a business option?

I was very sure of setting up my own business enterprise and that too which had a creative aspect to it as I am a connoisseur of innovative products having an artistic value to it, besides utility. So, the gift developing business appealed to me. As it was not my family business, I started from scratch and what followed was gathering extensive information about the business and hardwork. The rest as you say is history and destiny. I truly enjoy this business as its of my liking and am passionate about it.

What does RR stand for?

My business is named after my father's elder brother Mr Raja Rajendra (Tauji), whom I consider to be my mentor. He has also supported me financially when I wanted to self-start the business. I abide by his golden words of What to produce? How to produce? For whom to produce? which has helped me tremendously to remain focused, be proactive, be rational, as well as anticipate market demand.

What is trending in the corporate gifting world and how does RR Gifting meet the demand?

The gift choices vary from company to company and so the product portfolio is very diverse in a way. But, yes, we have a dedicated team of 30 staff including designers, product developers, website developers and data controllers, who give strength to our objective. Since we have a full-fledged manpower back-up with expertise in different departments such as packaging and delivery as well, we have an edge in ensuring quality product and timely delivery irrespective of the size of the order. Shifting from the present rented premises to company-owned property is definitely there in the pipeline, which we see as an asset.

What is the latest product that RR has developed and how popular do you envisage it to be?

Today, life is on the fast track with technology taking the front seat driving our daily lives at the click of a button. RR Gifting has developed in-house, a smart digital lock which can be configured to one's mobile and can be easily operated doing away with cumbersome keys, the reason that will make it popular. It is scheduled to be launched close to Independence Day i.e., 15th August, this year. The futuristic product is value for money and a smart way to lock and unlock!

Could you share about your premium leather products?

The premium leather gift items, is a niche segment of RR Gifting that caters to the high-end clientele. The gift products are designed indigenously by us or customised as per the customer's specifications. With experience, we now confidently give suggestions to customers and mostly they are appreciated resulting in repeat customers, whose numbers are growing. Also, technology has advanced tremendously enabling us to explore different design options, saving time and money, improving quality and service. View our exclusive range of leather gift such as notebook covers, card holders, passport holder, chequebook and pass book holder, wallets and much more on our website www.rrgifting.in.

Are you eyeing the international market?

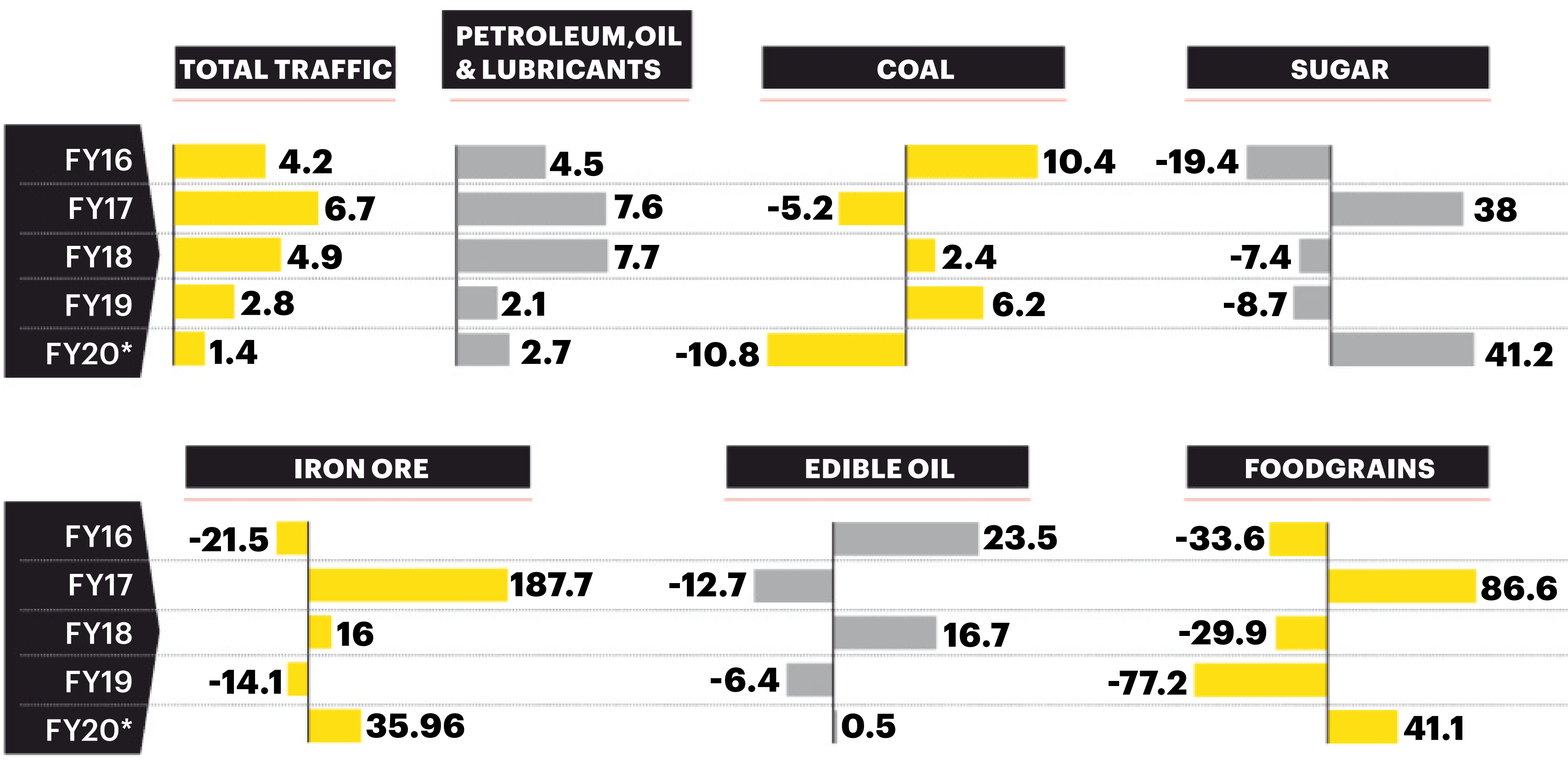
Definitely. We have consolidated our market in India in metro cities such as Mumbai, Bengaluru, Hyderabad, Chennai, Kanpur, Goa etc., and are still expanding, so now going global is on the cards. Probably in another two years we should be exporting RR gift products to foreign countries. Some of our prestigious clients include leading brands such as Art Housing Finance, Apollo Spectra, Abbot, Bosch and Lomb, CPA Global, KIA Motors, Swatch, Subros, Titan, YKK India and Central Ministries of Defence, Commerce, Electronics, etc. As we have ambitious expansion plans, we are looking for investors and welcoming them to grow together.

The world in is the grip of the Covid -19 pandemic. How is RR Gifting helping battle it?

RR Gifting considers its bounded duty in contributing towards social cause. Under CSR initiative, we provide free of cost at least 10 sets of whatever products developed for any company for distribution to the needy. So now, we are developing Corona safety kits at a nominal cost of Rs 1000 plus GST depending on the requirement. With every order 10 kits are given as complimentary by RR Gifting as a gesture of solidarity in the battle against Corona pandemic.

CARGO TRAFFIC AT INDIA'S MAJOR PORTS UP 1.4% DURING APR 2019-FEB 2020

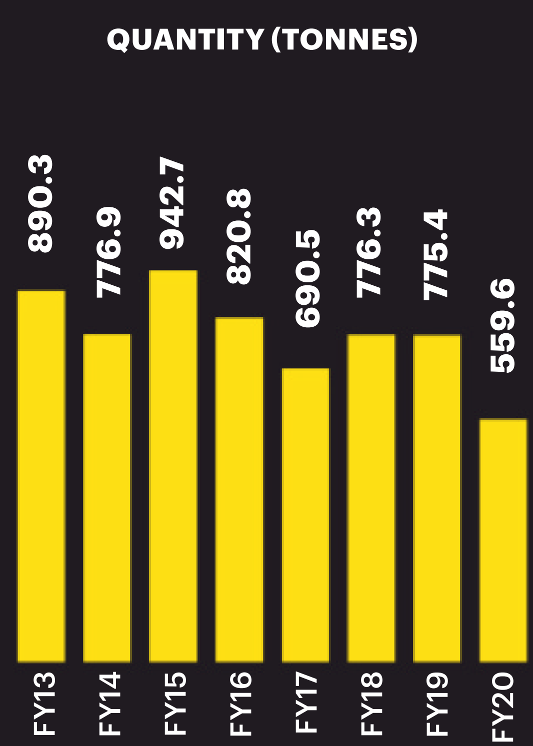
- Cargo traffic at India's major ports grew 1.4 per cent to 643 million tonnes during April 2019-February 2020
- Traffic of petroleum, oil & lubricants rose 2.7 per cent to 216.9 million tonnes
- Iron ore rose 36 per cent to 50 million tonnes and container increased 2.1 per cent to 134.8 million tonnes
- Coal plunged 10.8 per cent, fertiliser raw material (dry) 0.3 per cent and other goods 5.6 per cent

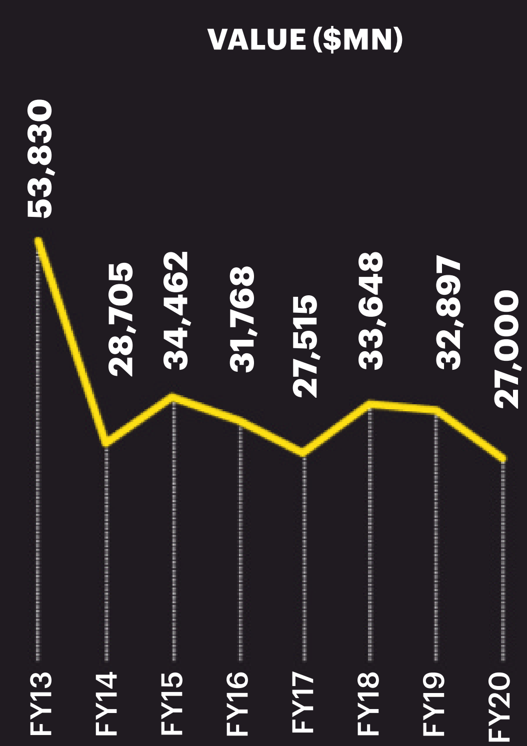


*Till February; Source: Ministry of Shipping

Gold Imports

- FY20 gold imports are estimated at 559.6 tonnes. In FY 19, the figure was 775.4 tonnes
- This is the lowest since FY13
- The March 2020 quarter is expected to be no different, with estimated demand of only 120 tonnes amid the nationwide lockdown





Source : Commerce ministry

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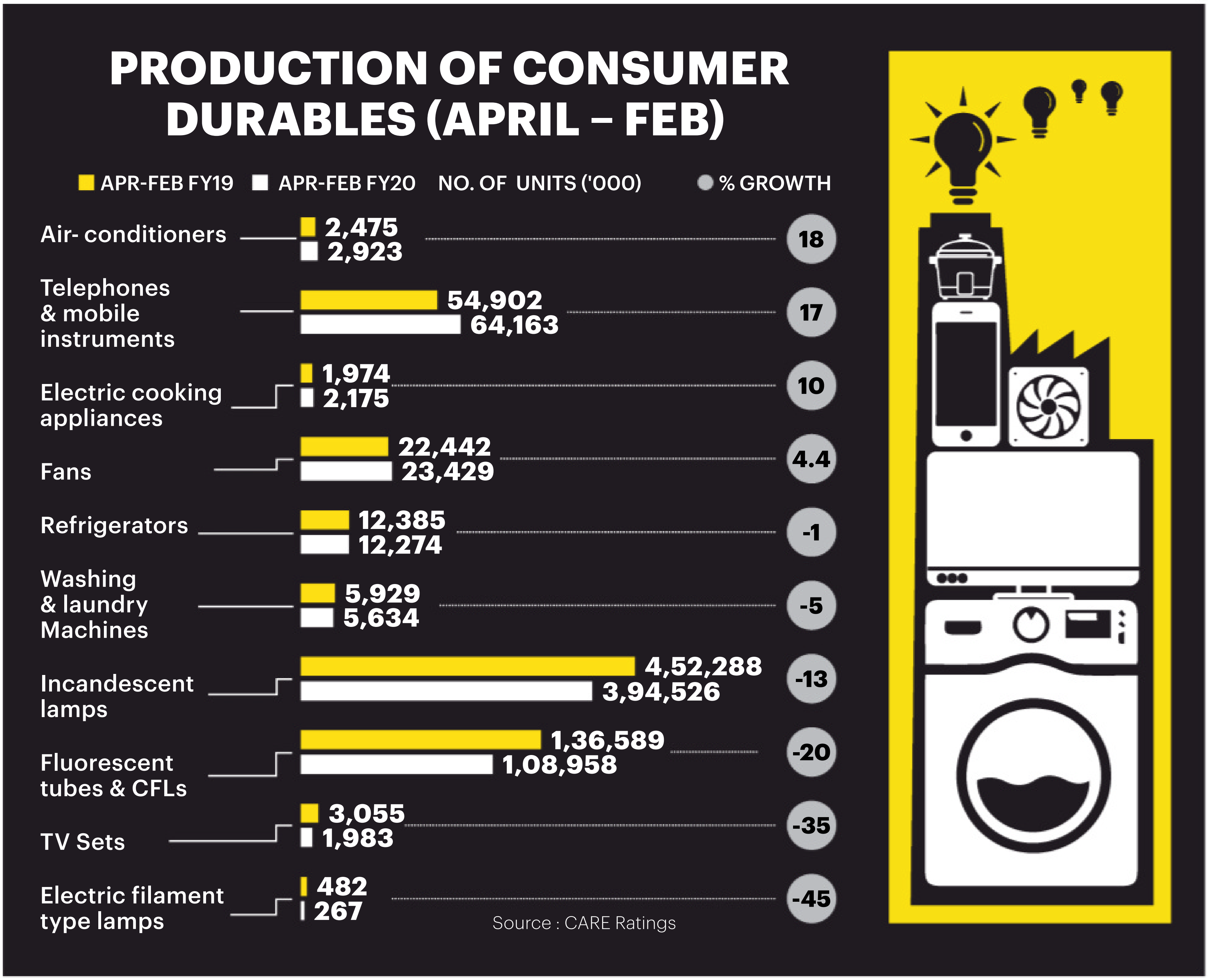
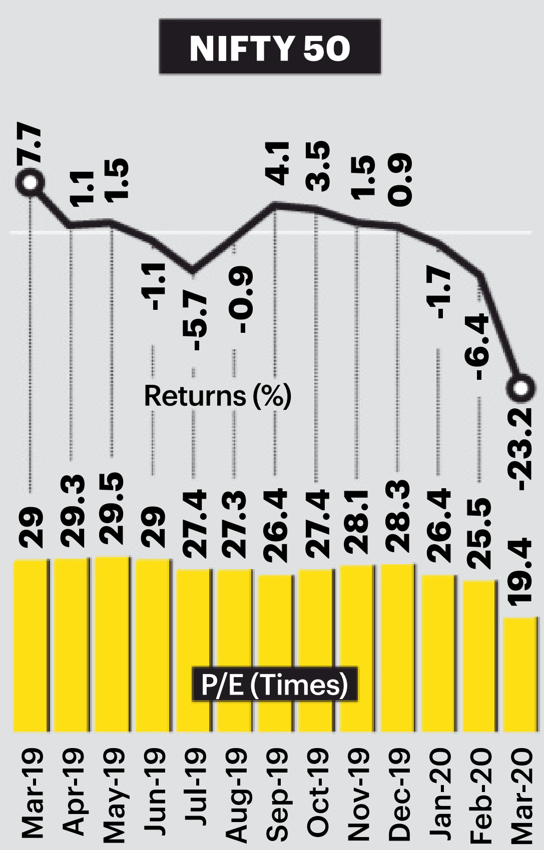
WHAT IS AVAXHOME?

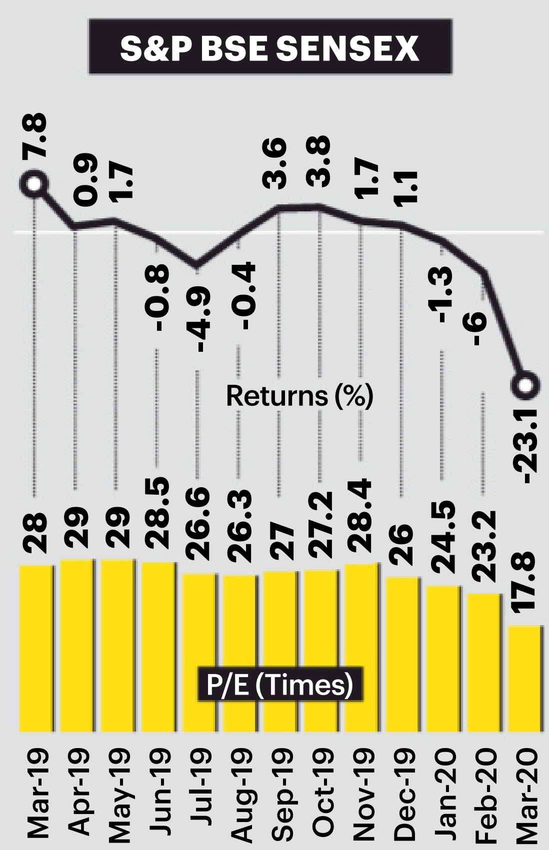


THE BIG STOCK MARKET CRASH

↘Panic selling due to Covid-19 pandemic shaved off 23 per cent market cap of top 50 companies listed on the National Stock Exchange within a single month

↘This was the largest loss in a single month since the global liquidity crisis of 2008.





The Game Changer

With both sides tight-lipped, the nuts and bolts of Jio-Facebook tie-up remain shrouded in mystery

BY MANU KAUSHIK

Mukesh Ambani, CMD, RIL

PHOTOGRAPH BY BANDEEP SINGH

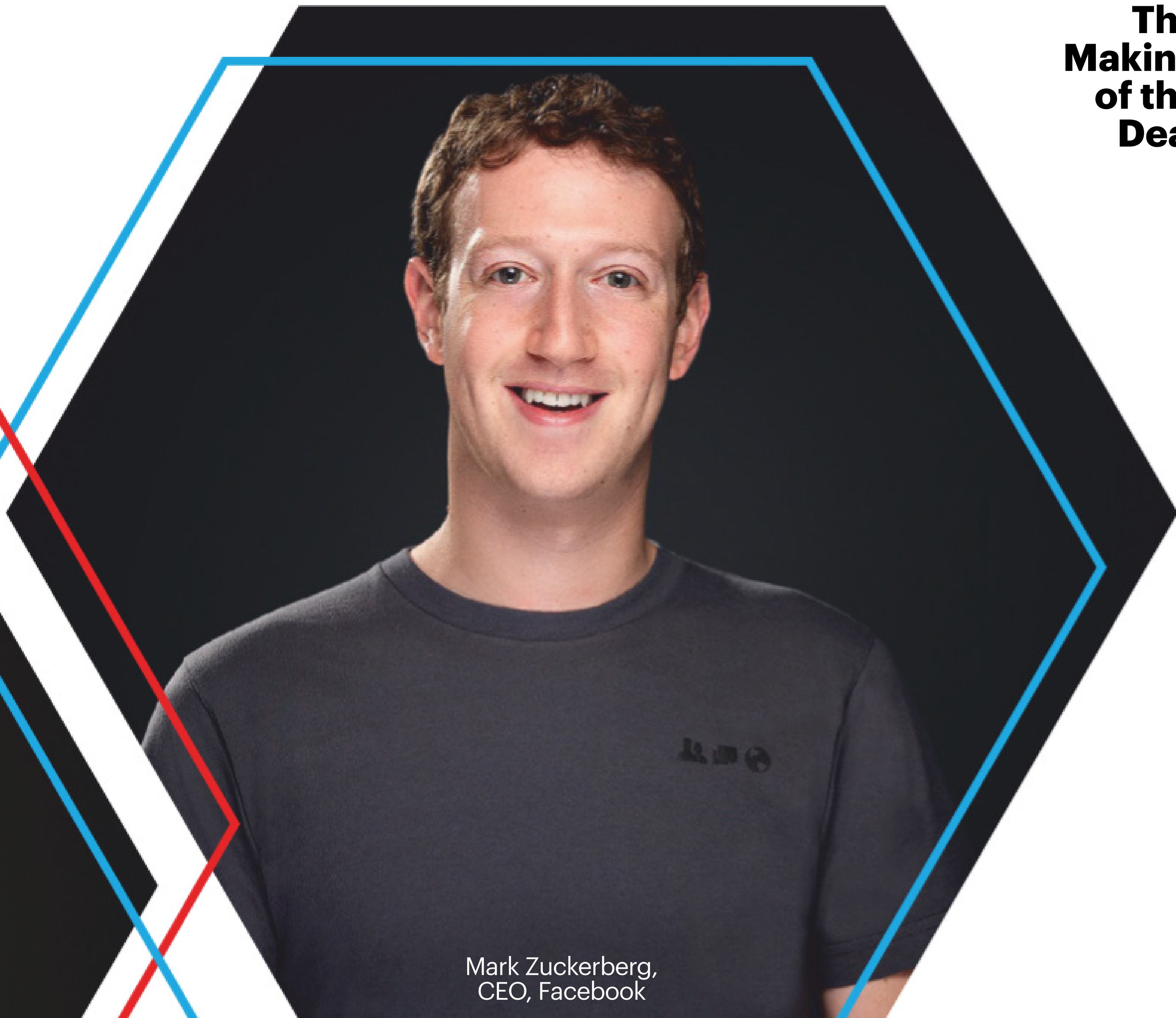
Months before Reliance Industries announced that Facebook would buy a 9.99 per cent stake in Jio Platforms — the holding company of its digital businesses — for ₹43,574-crore, both companies were at loggerheads. In January last year, at the 9th Vibrant Gujarat Summit, Mukesh Ambani, Chairman of Reliance Industries (RIL), advocated protecting India's data from global corporations. In September, Facebook's Global Affairs VP, Nicholas Clegg, countered that asking India to allow free flow of data across borders.

Seven months later, Ambani has joined hands with Facebook's Mark Zuckerberg to collaborate on the vast data both collect in their ventures. So, what could have prompted both billionaires to come together?

Analysts call it a "marriage of convenience" – where each partner brings something to the table that the other lacks. With both sides tight-lipped about the deal, the nuts and bolts of the tie-up are shrouded in mystery. Analysts believe barring the investment announcement, most details are still being worked upon.

Facebook's investment could bring RIL's debt down at a time when cash conservation has become critical for leveraged entities. As per Hong Kong-based CLSA, RIL's consolidated net debt and other liabilities were ₹2.35 lakh crore in 2019/20, down marginally from ₹2.40 lakh crore in 2018/19. "Cash infusion from this deal and closure of ₹7,000 crore stake sale to BP in the oil marketing JV should mean cash infusion of over ₹50,000 crore and bring down net debt," says a CLSA report. Even as the modalities of the deal are being thrashed out, the industry stays circumspect about how things will move forward from here on.

While announcing the partnership, RIL said its "focus will be India's 60 million micro, small and medium busi-



Mark Zuckerberg, CEO, Facebook

The Making of the Deal

February 2018: Facebook-owned messaging platform WhatsApp beta-launches its payments service WhatsApp Pay

July 2018: Mukesh Ambani forays into new commerce; calls it RIL's next biggest growth engine

August 2019: At RIL's 42nd AGM, Ambani says he intents to register 30 million *kirana* stores

December 2019: Jio Platforms reportedly does a soft launch of grocery platform JioMart in Navi Mumbai, Thane and Kalyan

February 2020: WhatsApp gets NPCI approval to roll out its payments service

April 2020: Jio Platforms receive ₹43,574-crore funding from Facebook for 9.99 per cent stake; WhatsApp and Jio Platforms sign deal to grow RIL's new commerce business

nesses, 120 million farmers, 30 million small merchants and millions of small and medium enterprises in the informal sector, in addition to empowering people seeking various digital services." It's unclear how far RIL has come in connecting these small merchants and businesses with its new commerce platform.

Last December, Jio Platforms reportedly did a soft launch of grocery platform JioMart in Navi Mumbai, Thane and Kalyan. Hence, it's safe to assume RIL's new commerce journey has just begun, and it will have to tread a long way before potential benefits can be realised.

Nevertheless, Ambani stunned the world by clinching the deal in the middle of the coronavirus outbreak. He not only pulled off the largest FDI in India's tech sector, but also became Asia's richest person.

Jio Platforms, the RIL subsidiary in which Facebook has invested, saw its enterprise value soar to ₹4.62 lakh crore. Last December, brokerage Axis Capital estimated that Jio's enterprise value will touch ₹4.64 lakh crore in 2023/24. Jio Platforms is a larger entity that houses all digital ventures of RIL – the Jio suite of apps, digital investments (KAI-OS, Haptik) and big data, AI and IoT capabilities. Jio remains the crown jewel in the bouquet of those investments.

The deal is divided into two parts. First, Facebook is buying 9.99 per cent stake in Jio Platforms. A part of the proceeds (₹15,000 crore) will be retained in the company and the rest (over ₹28,000 crore) will be used to redeem OCPS (optionally convertible preference shares) of RIL. A separate partnership has been signed between Facebook-owned WhatsApp, Reliance Retail and Jio Platforms to grow RIL's new commerce business using WhatsApp.

This investment fits in with Ambani's new commerce project launched two years ago at RIL's 41st AGM. What exactly is new commerce? One of the biggest pieces of Reliance Retail's new commerce project is JioMart, which plans to join hands with millions of *kirana* stores across India, and bring them on its platform. By integrating offline *kiranas* with WhatsApp, local retailers can have a wider reach and greater display on Jio's platform.

"New commerce is going to be our e-commerce offering. We will enable *kiranas* to become full-fledged e-commerce companies. Customers would go to their WhatsApp and access JioMart where they can find the *kiranas*. The idea is to digitise the whole supply chain that's informal right now," says a RIL source.

In the long term, the plan is to cover more segments under new commerce. The expansion of JioMart vertical, (integrated) payments system of WhatsApp, credit facilities

SIZE OF THE DEAL	WHAT FACEBOOK IS BRINGING	WHAT FACEBOOK IS GETTING	WHAT RIL IS BRINGING	WHAT RIL IS GETTING
₹43,574 CRORE	**400** MILLION	**388** MILLION	**30** MILLION	**₹4.62** LAKH CRORE
For 9.9 per cent stake in Jio Platforms	WhatsApp users	Number of Jio subs whose data FB can monetise	Kirana stores	Enterprise value of RIL's subsidiary Jio Platforms after FB investment

and other services would enable RIL to challenge e-commerce players like Amazon and Flipkart. "This will help RIL create a strong rival to online e-commerce giants like Amazon and strengthen its leadership in Indian retail," says an Axis Capital report.

The timing of the deal is great as RIL's oil refining and petrochemicals revenues have taken a hit. The historic fall in crude prices has upended fundamentals of RIL's oil and gas business. The mega-deal with Saudi Aramco last year also risks being called off after government reportedly asked a court to restrain the $15-billion deal. "While the Saudi Aramco due diligence is ongoing, clearly with Covid-19 disruptions, the transaction would likely get pushed out. The key investor concern is whether the collapse in crude would lead to deal cancellation," says a J.P. Morgan report.

There are two clear upsides for Facebook. First, it can monetise Jio's subscriber data. Though there are rising concerns over users' data privacy and squeezing of online advertising, India is yet to finalise the personal data protection law. Without such a law, Facebook can reportedly leverage Jio users' data without any regulatory restrictions.

"Facebook is largely dependent on ad revenues. Monetising WhatsApp has been tough for them. With this tie-up, they would have greater access to the digital life of an additional 388 million users. The privacy concern stems from there. Facebook's history has been marred with controversies and instances of how data was used by marketers for political campaigning. With this, they would further monopolise the market to attract more advertisers. Everything boils down to ads," says Neil Shah, VP (Research) at Counterpoint Research.

With RIL on its side, Facebook can gain a deeper foothold in India. India is home to some of Facebook's most thriving communities on WhatsApp, Facebook and Instagram. In the fourth quarter of 2019, the family of Facebook apps saw 2.89 billion monthly users globally, up 9 per cent over the same period last year. As one of the largest consumer economies outside the US, India has been at the forefront of Facebook's target markets. Since China is closed for foreign entities, penetrating deeper into the Indian market becomes more important. RIL's understanding of the domestic market, particularly the regulatory side, could bring Facebook closer to Indians.

Facebook has a chequered history in India. In 2016, it suffered a big setback over the backlash from net-neutrality activists over its Free Basics programme. WhatsApp also struggled to make headway in the Indian payments market. Despite beta-launching payments service WhatsApp Pay in February 2018, it got approval from NPCI (National Payments Corporation of India) for roll out just two months ago. Meanwhile, others like Google Pay, Amazon Pay, and PhonePe have taken a lead. With the integration of WhatsApp Pay and JioMart on a large scale, Facebook could bridge some of that gap.

An RIL-Facebook partnership was in the works for a while, but the coronavirus havoc accelerated its closure. How? With the coronavirus onset, hyperlocal retail has become extremely popular. "The key expectation from investors is if WhatsApp becomes the new all-in Super App and allows for Jio and [Reliance] Retail to foray into various commerce initiatives leveraging WhatsApp as the Super App," says the JP Morgan report. BT

@manukaushik

Gains All the Way

Jio Platforms gets valued among the top five listed companies in India by market cap. Ambani is now Asia's richest

While WhatsApp brings scale and reach of 400-mn users, RIL offers a vast database of wireless users, and understanding of the local market

For RIL, the deal is crucial as major businesses – petrochemicals and oil refinery – are under pressure due to the Covid-19 outbreak

WhatsApp will be a super app for payments and enable users to transact with local kiranas

CAUTION !!! INDIAN STOCK MARKET 2020 AGAIN STARTED FACING A BIG CRASH. VERY SOON NIFTY WILL HIT MINIMUM 5000 LEVEL.

Caution !!! Indian stock market 2020 again started facing a big crash. Very soon Nifty will hit minimum 5000 level in the upcoming days.

LAKSHMI NARAYANAN SUNDARAM
Research Analyst (SEBI Certified)

This crash is going to be one of the biggest crash registered in the history of Indian stock market. We can see a sharp fall in this crash. In this crash Nifty will fall up to 46% from the recent level. It is going to be the second consecutive crash in the year 2020 which would be similar to the previous crash, that our Indian stock market got corrected nearly 40% from life high in the month of March 2020. During the fall investors and Traders Wealth will get affected badly. So investors and Traders of our Indian stock market must be careful to deal with this Crash said by RESEARCH ANALYST Mr. LAKSHMI NARAYANAN SUNDARAM.

COVER STORY

FDI POLICY

CHECK ON THE DRAGON

As India tightens FDI norms, Chinese firms and investments may face regulatory and consumer backlash. The friction between Asian giants could be the beginning of an adversarial chapter in trade

BY SUMANT BANERJI, RUKMINI RAO AND NITI KIRAN
ILLUSTRATION BY RAJ VERMA

It **all started with** a seemingly innocuous transaction on April 12 when state-owned People's Bank of China (PBoC) bought an additional 0.2 per cent stake in HDFC Ltd., India's largest housing finance company. Added to PBoC's existing 0.8 per cent stake, this took the Chinese bank's equity past 1 per cent — triggering a notification to stock exchange regulator, the Securities and Exchange Board of India (Sebi).

A registered foreign institutional investor (FII) buying a stake in HDFC is perfectly legal. It was also a smart bargain. Stock markets in the world had been topsy-turvy and till that day HDFC Ltd. had seen 32 per cent erosion in market cap since the market crash triggered by the spread of coronavirus.

Yet, the transaction rang alarm bells at Sebi coming, as it did, amid allegations of Chinese firms exploiting market crash to corner stakes in strategic firms of vulnerable economies. The market regulator played safe and promptly shot off a missive to the finance ministry seeking guidance. It asked if such transactions needed special attention.

In Delhi, its chain reaction continues to unravel till this day. Taking note of the threat posed by Chinese firms to companies in India that may be vulnerable due to economic stagnation because of coronavirus, on April 17, the commerce ministry's Department for Promotion of Industry and Internal Trade (DPIIT) amended foreign direct investment (FDI) guidelines to apply curbs on investments from China. Aimed at preventing any opportunistic takeover from across the border, any fresh FDI from China now requires a specific nod from the government.

Taking a cue, Sebi wrote to custodians the very next day, seeking details of foreign portfolio investments (FPIs) from China, Hong Kong and 11 other Asian countries. While there are no restrictions on Chinese FPIs investing in Indian companies yet, Sebi specifically wants custodians to determine the level of control these investors exercise.

Even though investments – FDI, FII or FPI – from China have not been blocked yet, this has not gone down well with China. The Chinese Embassy in Delhi, in an angry response, demanded that India revise the policy, calling it 'discriminatory' and in 'violation of WTO' rules.

"The impact of the policy on Chinese investors is clear. The additional barriers set by the Indian side for investors from specific countries violate the WTO's principle of non-discrimination, and goes against the general trend of liberalisation and facilitation of trade and investment.

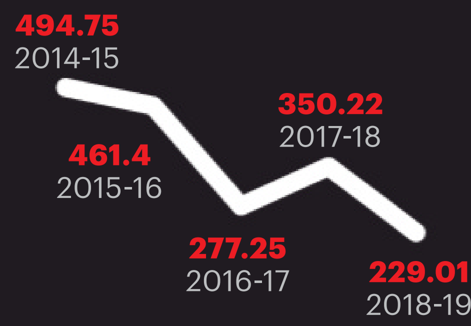
The Maze Of Chinese Inflows Into India...

$2.34 BILLION

China investment into India is just **0.5%** of total FDI in two decades

$1.81 BILLION

Chinese investment over the last five years



All figures in $ million; All figures are FDI equity inflows from China

China is 18th Largest FDI Contributor
(Apr 2000-Dec 2019)

1	Mauritius	$141.9 BILLION
2	Singapore	$94.65 BILLION
3	Japan	$33.1 BILLION
4	Netherlands	$30.9 BILLION
5	USA	$28.35 BILLION
6	UK	$27.94 BILLION
7	Germany	$12.07 BILLION
8	Cyprus	$10.10 BILLION
9	France	$7.10 BILLION
10	UAE	$6.91 BILLION
18	China	$2.34 BILLION

Source: DIPP

$4.2 BILLION

That's because much of the Chinese investment comes via Singapore (above) and Hong Kong

$8 BILLION

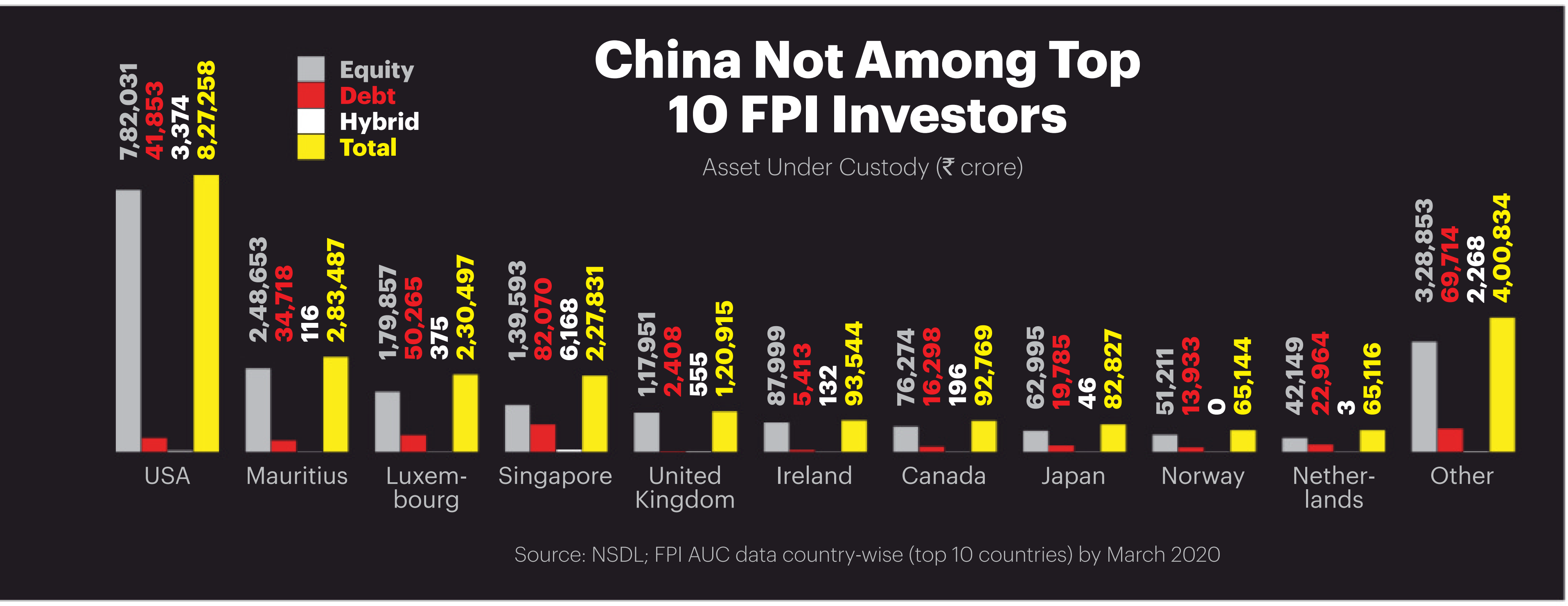
Amount China claims it has invested in India till December 2019

$3.9 BILLION

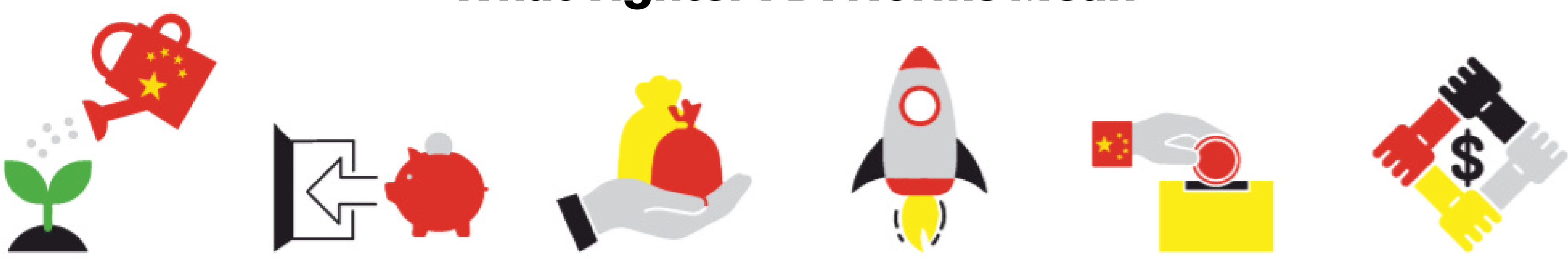
Estimated investment by Chinese firms in India's start-up economy in 2019

$26 BILLION

Total investment by China in India, including ongoing and planned ones, as estimated by Brookings



What Tighter FDI Norms Mean



Greater scrutiny of companies from China looking to invest directly in India

Investors looking to exit from companies will face greater due diligence

Companies with existing Chinese investors may find it difficult to raise fresh funds

Start-ups like Paytm, BigBasket, with big Chinese holdings, will find it tough to raise funds

Throttling investments from China is another blow to overall start-up funding in India

Impacts foreign entities with subsidiaries in India that are looking at raising funds offshore

More importantly, they do not conform to the consensus of G20 leaders and trade ministers to realise a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment, and to keep our markets open," said Chinese embassy spokesperson counsellor Ji Rong. "Companies make choices based on market principles. We hope India would revise relevant discriminatory practices, treat investments from different countries equally, and foster an open, fair and equitable business environment."

India remains unmoved and combative. "It does not violate any WTO guideline in any way. We are well within our rights to formulate or tweak any policy. Just to be clear, we are not blocking any investment, only making sure that the intent behind it is positive. What is wrong with that?" says a senior commerce ministry official.

Shots fired, the die has been cast. But this may be just the beginning of an adversarial relationship with China that will require deft economic and geopolitical manoeuvring. While regulators tighten the noose (Sebi is widely expected to follow DPIIT), even Chinese consumer firms such as MG Motors, Xiaomi, Lenovo, Oppo and Vivo are bracing for a possible consumer backlash when the lockdown is lifted. Greater scrutiny of Chinese investments will have far-reaching consequences including, but not restricted to, the Indian start-up ecosystem that is flush with capital from across the border. Chinese investors pumped in an estimated $4 billion into Indian startups in 2019 alone. And as India actively woos investments from firms looking for alternatives to China, it will have to combat the fuming dragon more often.

"China's FDI in India remains quite small, so the recent restrictions are not going to materially change the picture. The purpose is to prevent Chinese state-owned companies from opportunistically buying stock of Indian companies that are currently facing a downturn in their stock price," says geo-strategist Brahma Chellaney.

With global recession staring in the face, the friction between the two Asian economic giants is only expected to increase.

Opportunistic Raids on Firms?

The pandemic is set to push the world economy into its worst recession since the 1930s Great Depression. While the world economy is projected to shrink at least 3 per cent in 2020, the International Monetary Fund (IMF) believes India's economy will grow 1.9 per cent. The impact of the slowdown on companies would be dramatic. So, many could lose value in stock markets, making them vulnerable to takeovers. Since China, besides India, is the only other large economy expected to grow its GDP in FY21, it is feared that state-owned Chinese firms may make opportunistic purchases here. "We need to be extremely watchful of Chinese moves, including its investment instruments, and its presence in ASEAN countries," says Abhyuday Jindal, Managing Director, Jindal Stainless, India's largest stainless steel company.

But is it Realistic?

China does not figure among the Top 10 FDI or Top 10 FPI investors in India. Official FDI figures would show at first glance that the DPIIT curbs appear to be a case of much ado about nothing. Between 2000 and 2019, Chinese FDI into India barely added up to $2.3 billion, Commerce Minister Piyush Goyal told Parliament. That is barely half a per cent of all FDI during the period. The Chinese government inflates this to $8 billion but even that is under 2 per cent of total FDI.

However, these numbers do not give the full picture. The Centre is worried because these benign numbers could be misleading. A significant chunk of Chinese investments come through destinations such as Hong Kong and Singapore. India's largest smartphone manufacturer, Xiaomi, for example, has routed its ₹3,500 crore investment in India through its subsidiary in Singapore. Overall FDI from Singapore has been $94.6 billion in the last two decades, accounting for 20 per cent of all FDI into India. This makes Singapore the 2nd-largest source of FDI into India. Hong Kong pumped in another $4.2 billion during this period. Even the Centre is grappling with exact China-specific FDI via these routes. Jidesh Kumar, Managing Partner , King Stubb & Kasiva, an M&A focused law firm, says, "Usually, investments in India from border states will be structured by creating SPVs in Hong Kong, Singapore, Mauritius, the Netherlands or other jurisdictions to avail tax-treaty benefits under the respective double taxation avoidance agreements (executed by India with these countries)." The biggest Chinese investments have come in the technology sector. Players like Tencent and Alibaba invested in Indian tech start-ups such as Udaan, Delhivery, Swiggy and BigBasket in 2019.

"India is going to win on its merit and does not need China to fail for it to succeed. The cost-quality balance of engineering products coming out of India is superior to that of China. That is why Triumph and KTM have allied with us while a company like BMW has allied with TVS"

Rajiv Bajaj, MD, Bajaj Auto Ltd

"We need to be extremely watchful of Chinese moves, including its investment instruments, and its presence in ASEAN countries"

Abhyuday Jindal, MD, Jindal Stainless

"China has spoken with its actions. History will give its objective and impartial verdict. No one could discredit or distort these facts or truths. To defeat the virus, mankind needs to choose confidence over panic, unity over division, cooperation over scapegoating"

Sun Weidong, Chinese Ambassador to India

Companies With Significant Investments From China

Company	FPI Investor	% Share
Avanti Feeds	Thai Union Asia Invst. Holding	8.77
Kingfa Sc. & Tech. (India)	Hongkong Victory Invst. Co.	6.32
Glenmark Pharma	HSBC Pooled Investment Fund - HSBC Pooled Asia PAC	3.29
Kiri Industries	Moving Limited	2.08
Gandhi Special Tubes	Pinebridge India Equity Fund	1.25
HDFC Ltd	People's Bank of China	1.01

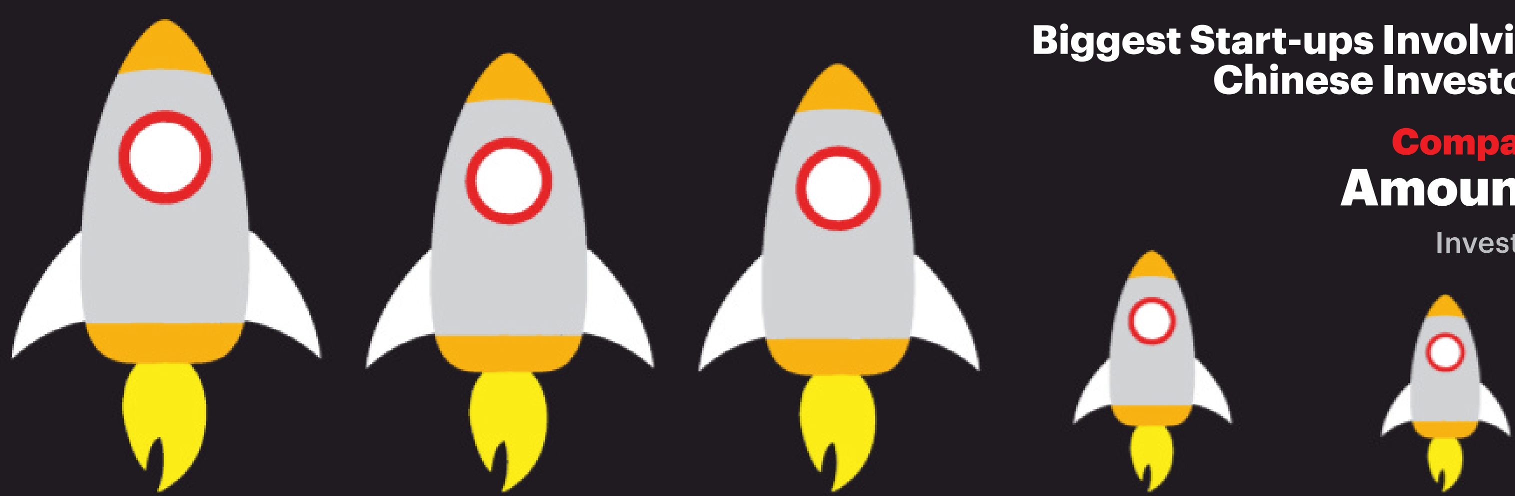
Holdings based on information with CMIE's Prowess database; BSE-listed companies covered; FPIs from both Hong Kong & China (as per Sebi)

Company*	FDI	Indian Firm
Tsingshan Holding	$ 3 bn	Chromeni Steel
Xinxing Group	$ 1.25 bn	Xindia Steels
BBK Electronics	$ 1.1 bn	Vivo, Oppo, Realme, One Plus, IQOO
Fosun	$ 1.09 bn	Gland Pharma
Haier Group	$ 528 mn	Haier Appliances India
Xiaomi	$ 504 mn	Xiaomi India

* These are announced investments

Biggest Start-ups Involving Chinese Investors

Company
Amount*
Investors



PayTM
$3.53 BILLION
Ant Financial, Alibaba, Alibaba Group, Softbank Vision Fund, T. Rowe Price, Gojek and others

Ola
$3.28 BILLION
Tencent, Didi Chuxing, China-Eurasia Economic Cooperation Fund, Mirae Asset, SoftBank Group and others

OYO Rooms
$3.2 BILLION
Didi, Huazhuhui, SoftBank Vision Fund, Airbnb, A91 Partners and others

Snapdeal
$1.8 BILLION
Alibaba Group, Blackrock, Nexus Venture Partners, Temasek, Foxconn Electronics and others

BYJU'S
$1.47 BILLION
Tencent, General Atlantic, Aarin Capital, CPP Investment Board, Prosus and others

*Total funding; Source: Tracxn

The non-tech FDI is sparse.

Even so, just looking at the size of the FDI would be missing the woods for the trees. The other concern which prompted the government to put these investments under the scanner is Chinese firms using lower valuations to strike lucrative deals via the FPI route. "The revision of FDI policy is useful for indigenous entrepreneurs and businesses. It will give a reprieve to businesses that are financially fragile on account of the great lockdown," says Cyril Shroff, Managing Partner, Cyril Amarchand Mangaldas. "This could ensure that the valuations at which Indian businesses receive investments are fair and reasonable."

But the threat is limited here as well. Besides HDFC Ltd, there are only five other companies that have received significant FPI investments from China or Hong Kong. Of these, Hong Kong-based Thai Union Asia Investment Holding Ltd has the largest stake – 8.77 per cent — in shrimp exporting firm Avanti Feeds, while HSBC Pooled Investment Fund has a 3.29 per cent stake in pharma major Glenmark Pharmaceuticals and Hong Kong Victory Investment Co has a 6.32 per cent stake in Kingfa Science and Technology (See *Companies With Significant Investment From China*)

While it is purportedly aimed at preventing takeovers, the impact of the change in guidelines could be widespread. According to law firm Shardul Amarchand Mangaldas, the changes would impact existing Chinese firms looking to invest more capital, investments from China for greenfield projects as also foreign entities with subsidiaries in India looking to raise capital from overseas.

India is not alone in trying to protect its companies from a potential Chinese invasion either. Many European countries, including Italy, Spain, Germany and France, besides Australia, have recently put similar curbs on opportunistic investments from China (See *India in Sync with the World*).

"Hostile takeovers are not a country-specific risk and can happen from anywhere in this time of crisis when valuations of companies are down. We need to take precautions from everywhere. China carries a higher risk because of its political setup which is considered to be non-transparent," says Gopal Krishna Agarwal, National Spokesperson (Economic Affairs), Bharatiya Janata Party. "India cannot have the luxury of not having discretion. The financial position will be very critical in the immediate aftermath of Covid and we should not be in a position where we expose our vulnerabilities to China," says Harsh Pant, Director, Studies and Head, Strategic Studies Program, Observer Research Foundation. "China has exposed itself with this crisis and shown its aggressiveness. The world, with India included in it, is wary of it."

At the same time, too much regulation could also prove to be counter-productive. As a growing economy, India needs investments in infrastructure and labour intensive sectors and with the world economy headed towards a recession, China could be one of the few major economies bucking the trend and willing to spend. "China's cumulative investments in India are far more than the total investments of India's other bordering countries. Our investments have driven the development of India's industries such as mobile phone, household electrical appliances, infrastructure and automobile, creating a large number of jobs in India, and promoting mutually beneficial and win-win cooperation," Ji Rong argues. "Where companies choose to invest and operate depends on the country's economic fundamentals and business environment. Facing the economic downturn caused by Covid-19, countries should work together to create a favourable investment environment to speed up the resumption of companies' production and operation."

Agarwal of the BJP agrees, adding India need not follow the path taken by others but chart its own course, as its reality is different. "We need not get entangled in any

India in Sync With World

AUSTRALIA: Tightened rules on foreign takeovers fearing strategic assets could be sold cheaply due to the coronavirus crisis. Has mandated scrutiny of every single deal regardless of value

ITALY: It expanded the Golden Powers Law, meant to restrict foreign investments in sensitive areas, to include a large number of other sectors. Curbed foreign takeovers in a range of sectors

GERMANY: Europe's biggest economy approved measures which applied to takeover bids from the United States and enterprises outside the European Union

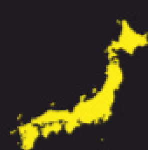
SPAIN: Issued Royal Decree suspending the regime on FDI deregulation indefinitely. It necessitates prior government approval for investors outside EU looking at acquiring more than 10 per cent in a local company

CANADA: Tightened foreign investment rules, scrutinising investments in companies related to public health or critical supply chains, and investments by state-owned companies or investors with close ties to foreign governments

EUROPEAN UNION: Was among the first to tighten foreign investment rules. The aim was to discourage "bargain hunting" by China.

UK: The UK government screens acquisitions in military, dual-use, computing hardware and quantum technology sectors

USA: The Committee on Foreign Investments in the US is now playing an active role in screening potential takeovers on national security grounds



JAPAN: $2.2 billion fund to help Japanese companies shift production out of China

Map not to scale

"The revision of FDI policy is useful for indigenous entrepreneurs and businesses. It will give a reprieve to businesses that are financially fragile on account of the great lockdown"

Cyril Shroff, Managing Partner, Cyril Amarchand Mangaldas

"MG is a quintessential British brand where ownership happens to be Chinese. But if you look at it rationally, we are no different from a Honda, Toyota or a Ford with strong local manufacturing supported by a large set of global suppliers"

Rajeev Chaba, President and MD, MG Motor

"I thank the Govt. for taking note of my warning and amending the FDI norms to make it mandatory for Govt. approval in some specific cases"

Rahul Gandhi

global warfare and we just need to protect our domestic interests. Others should not use our shoulders to fire at China," he says. "We should also be a bit cautious when dealing with FDI because while we have abundance of labour and raw materials, we are short of capital. So, we also need investments. China is the world's second-largest economy and has the capital. So, it would not be prudent to restrict investments entirely. We need a balance."

Bracing up for Consumer Backlash

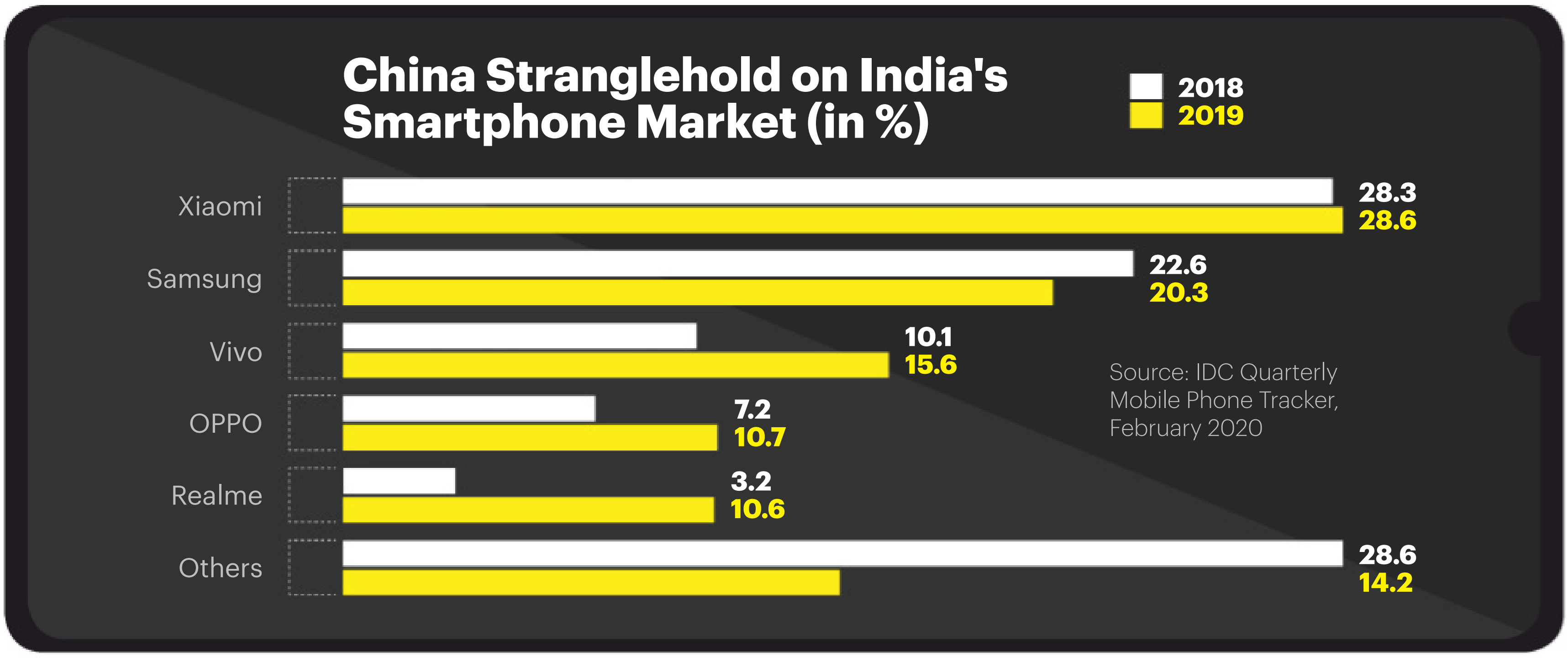
"As we are going to mark the 75th anniversary of Independence in 2022, I urge all the youth of this country to use 'Swadeshi' and buy local products in order to give impetus to local produce and generate employment in the country," Prime Minister Narendra Modi said in December 2019 in his regular radio programme *Mann ki Baat*.

A call to buy made in India goods from none other than the prime minister himself is bound to sway consumer mindset, given his popularity. The bad press China has been receiving across the globe, with criticism of its handling of the pandemic, can only add to that. "The pandemic has unleashed strong feelings about China globally. They are now facing strong headwinds across the world and India is no exception," says Chellaney. Praveen Khandelwal, National Secretary General, Confederation of All India Traders, says, "Even before the lockdown, consumers had started to show their dislike for Chinese goods and would not buy them even if available cheap. This is the best time to put an end to import of non-essential goods like toys from China."

"The cost quality balance of engineering products coming out of India is superior to that of China. That is why Triumph and KTM have allied with us while a company like BMW has allied with TVS. India is going to win on its merit and does not need China to fail for it to succeed. But Indian industry needs its government to support it," says Rajiv Bajaj, Managing Director of Bajaj Auto.

At the other end of the spectrum are social media apps backed by Chinese companies which, apart from being popular, are turning into a nightmare for the government in controlling fake news. Apps like Helo, SHAREit, TikTok and Vigo have penetrated deep into Tier II-III towns and have a huge rural user base with unregulated content. TikTok had in 2019 run into trouble when the Madras High Court banned it for increased crime and inappropriate content. The ban was later lifted.

Though not a Chinese company, the latest platform to get into trouble is video-calling app Zoom, which has emerged as an alternative business calling app during the Covid crisis. Among the other shareholders



of Zoom, founded by Chinese-American Eric Yuan, is Hong Kong's richest man Li Ka Shing, founder of the Hutchison Whampoa empire. The Ministry of Home Affairs issued an advisory against using Zoom after security concerns were raised with the company housing its data centre in China, among the 17 data centres it has around the world. Sameer Raje, Head of India, Zoom Video Communications, says the company takes privacy seriously. "Many large global institutions have done exhaustive security reviews of our user, network and data centre layers and continue to use Zoom for most or all of their unified communications needs," says Raje. He says Zoom is in talks with the MHA and is focused on providing information they need to make informed decisions on policies.

There is strong sentiment on social media as well. The day the PBoC raised its stake in HDFC Ltd, the bank was trolled on microblogging site Twitter with people likening this to an attack by China on India's banking system.

Similarly, hashtags like #BoycottChina regularly trend on Twitter in India and some political outfits have also latched on to this. The Swadeshi Jagaran Manch (SJM), an organisation that promotes indigenous goods and has close ties with the government and the RSS, has from time to time exhorted consumers to shun Chinese goods. "After #ChineseVirus, the world has started realising the reality of China beyond cheap goods. This is the time for the globe to unite and practice complete boycott of Chinese goods and capital," Ashwani Mahajan, the National Co-convener of SJM, tweeted on April 21. He has more than 31,000 followers.

This is not the first time a campaign to boycott goods from China has gained currency in India. But the earlier ones have had negligible impact on business in the past. Chinese firms are hoping it will be the same this time as well. "During such crises, there are always some vested interests who want to amplify such kind of negative views. There are some noises but at the end of the day people are smart. We as Indians basically want a good value proposition. So, let the best products and services prevail and let politicians play politics and business guys focus on doing business," says Rajeev Chaba, President and Managing Director, MG Motor. "MG is a quintessential British brand where ownership happens to be Chinese. Our top management is 100 per cent Indian and we have invested ₹3,000-4000 crore in India. We are no different from a Honda, Toyota or a Ford with strong local manufacturing that is supported by a large set of global suppliers."

Smartphone companies from China that have made even deeper inroads in the market — Xiaomi, Vivo and Oppo are among the top 5 — also say they are as Indian a company as any except for the ownership. "Covid-19 has had a worldwide impact and any region-focused bias would be deemed unnatural. Our focus and priority remains on supporting all customers and minimising disruption. Given our global footprint, we feel we are in a position to handle this well," says Rahul Agarwal, CEO and Managing Director, Lenovo India. Xiaomi says 99 per cent of its smartphones, as well as smart TVs and powerbanks, are made locally and 65 per cent of the value of each phone is sourced from within India.

"Not just this, we have been able to generate employment for over 50,000 people in India across our partners," says a Xiaomi India spokesperson. "We boast of a completely local leadership. We might be headquartered in China but Xiaomi India operates exactly like a local company and we hope our users can see that."

An online survey conducted between late March and early April by Takshashila Institution, a Bangalore-based think tank, highlights the negative perception for China among Indians. With a sample size of nearly 1,300 respondents, a majority 1,156 from India, it found that two-thirds held China responsible for the coronavirus pandemic. Almost the same percentage believed that China's policies towards containing the outbreak were draconian and opaque as the Chinese government tried to cover up the true scale of the crisis. A majority also felt that calling the epidemic a "Chinese virus", words first used by US President Donald Trump, or "Wuhan Virus", was neither unjustified nor racist while 56 per cent felt China was using the crisis to project its power.

This is not great news for Chinese firms operating in India, especially in consumer-centric sectors. China has been a late entrant into the Indian market but in the last five years, its companies have made significant inroads. For example, Chinese firms have cornered more than 50 per cent share in India's growing $8 billion smartphone industry. Similarly, MG Motor, owned by China's largest automotive company SAIC, made a stellar debut in the Indian market with its Hector SUV last year. Should this feeling of antagonism fester among Indian consumers, these firms could be at the receiving end of it. It is compounded by the fact that the government has also been exhorting consumers to buy more from local companies across sectors.

Nevertheless, this has given rivals added ammunition to attack Chinese companies in the market. "I will be lying if I say as a sales guy I will not use this issue to tilt consumers towards me," said a sales executive with a rival Korean firm. "The easiest way for me would be to raise questions about data security. Nobody is sure where the data goes if one is using a Chinese smartphone. So, consumers should take that into account when they make a purchase."

However, Fosun International said while declaring its annual results that it will continue to cultivate existing regional markets, including China, Europe and the United States, as well as emerging markets such as India and Brazil. Fosun is a Chinese conglomerate.

$87 BILLION

Trade with China in 2018/19. It was $72.50 billion during April-January 2019/20. China was India's largest trading partner between fiscals 2014 and 2018

$31 BILLION

Bilateral trade with Hong Kong in 2018/19

Grip over the Unicorns

Perhaps the more glaring Chinese investments have been in the new economy. Right from fintech companies like Paytm (including subsidiaries), PolicyBazaar, consumer-tech companies like Swiggy, Zomato, BigBasket, edutech players like Byjus, transport companies like Ola, and e-commerce company Snapdeal, leading Chinese funds such as Alibaba, Ant Financial, Tencent, Shunwei Capital, Fosun and others hold sway over the Indian start-up universe. According to IT industry body Nasscom, in FY2020, India housed over 9,000 tech start-ups out of which over 1,600 were in the deep-tech space and 27 were unicorns (valued over a billion dollars). They got over $4 billion funding during FY2020, it says.

With investments in companies that are a treasure trove of sensitive data and otherwise, naturally, a sudden curiosity has arisen over the possible implications of the changes in the FDI policy. With the revised position, says Jidesh Kumar, Managing Partner of King Stubb & Kasiva, at the very outset, government approval will be required for all future investments through SPV if there is a Chinese element which results in a situation of Beneficial Ownership.

However, the larger fear among users is about the humongous data with start-ups and its usage. Arguably, in India, accountability of users' data and mandate to store data locally is more the company's discretion and not mandated by law. It is only when the Personal Data Protection Bill, which is with the standing committee of Parliament, is enacted, will Indians have some control over their data. In a post-data protection regime, fintech companies that provide a variety of services will be under the umbrella of the law. The concept of 'consent managers' will also help regulate user consent sharing with third parties.

Though the current changes do not restrict investments into India by Chinese companies under the FII or FPI route, K. Ganesh, serial entrepreneur and promoter of BigBasket, says, "FDI and any other foreign investment cannot be painted with the same brush". Though the digital colonisation of Indian companies has been an argument for a long time, in the current situation where start-ups and MSMEs are facing a tough time and Indian VCs have a low risk appetite, "We should not end up in a situation where we throw the baby out of the bathwater."

With the current changes in FDI, if a VC or a PE fund has a Chinese LP which falls within the definition of Beneficial Owner, it will now have to seek government approval for investing in Indian companies. Many start-up founders fear this will delay their investments by four to six months.

At a time when funding is slowing down and a global crisis at hand, how can the start-up ecosystem survive without investments from some of the most cash-rich investors? Mohandas Pai, Chairman and Co-founder Aarin

Capital, says the move will hurt. "From 2014 onwards, we have received $55-60 billion, out of which $6-8 billion has come from China, with big investments into e-retailing and ecommerce companies," he says. Pai says the government must take steps to help Indian start-ups access long-term capital from India. "India is the only country which has a perverse tax policy against its own citizens," says Pai, pointing out that Indian investors pay more, almost twice, long-term capital gains tax than investors of other countries. However, he says that unless data protection laws are enacted and favourable tax regime and alternative capital avenues are created, not only will India be a digital colony but also lose an industry which is driving employment.

Fixing Trade Deficit

Investments, opportunistic takeovers or data security are not the only issues that plague Sino-India business relations. The most enduring issue is trade imbalance. The two neighbours conduct substantial trade with each other that was worth more than $87 billion in 2018/19 and $72.50 billion during April-January 2019/20. China was India's largest trading partner between fiscals 2014 and 2018 before the US overtook it. But there is also substantial trade with Hong Kong. Bilateral trade with Hong Kong stood at $31 billion in 2018/19 and $23.93 billion during April-January 2019/20. Rajesh Sawhney, serial entrepreneur and co-founder of Inner Chef, points out that while the government wants to protect Indian businesses, the bigger issue is the $60 billion-plus deficit that India has with China compared to $4-5 billion that the Chinese have invested into Indian start-ups. It is, however, heavily skewed in favour of China, which enjoys a massive trade surplus of over $50 billion. With Hong Kong too, the deficit is a sizeable $5 billion. It makes India not dependent on China.

50%
Chinese firms' share of India's growing $8 billion smartphone industry

$4-5 BILLION
Amount that Chinese investors have invested in Indian start-ups

One of the biggest lessons from the pandemic that originated from China's Wuhan province is the need to loosen China's grip on global supply chains. Experts believe this is a good time for India to relook at its policy towards China in its entirety. "When the pandemic started and China was affected, the supply chain got disrupted and for many countries the realisation was they did not have any other source," says Agneshwar Sen, Associate Partner, Tax and Economic Policy (International Trade) EY. "Global supply chains are a dynamic thing. So, countries will look at alternatives and not put all eggs in one basket to avoid a repeat in case of a future calamity."

And India plans to make the most of it. "Now the world is rethinking its strategy of putting all eggs in one basket. A lot of interest is being shown by companies towards India," says Guruprasad Mohapatra, Secretary in the DPIIT. Around 1,000 foreign companies are engaged in discussions at various levels with Indian authorities. At least 300 of these are actively pursuing production plans in sectors such as mobiles, electronics, medical devices, textiles and synthetic fabric, according to top government sources.

Besides, there is a concerted effort to reduce dependence on China for Indian firms. China accounts for almost 18 per cent of India's total merchandise imports. In some sectors like electronics, automotive components, solar equipment and pharmaceuticals, the dependence is big. In solar equipment, for example, China is the source of import for nearly 80 per cent of all solar cells and modules in India. Similarly, a quarter of the automotive components worth over $4 billion in 2018/19 ($2 billion in the first-half of 2019/20) came from China.

Companies such as Tata Motors which want to avail India's FAME II benefits for subsidised electric vehicle production are required to localise up to 40 per cent today. This number will rise to over 60 per cent by April 2021.

The Centre is working on products that could be manufactured locally to cut dependence on China. These are across sectors such as electrical equipment, active pharma ingredients (drug parks policy has been announced), optical fibre, boilers, tiles, sanitary ware, leather, paper board, silk and toys. In toys, imports are as high as 70 per cent. The intention is to raise import duties and encourage local manufacturing. Total imports from China in toys, games and sports equipment were $451.70 million in FY19. In ceramic products, they were $340.75 million compared to $597.60 from the rest of the world.

"Chinese firms have been dumping goods at irrational prices in India," says Abhyuday Jindal. "We'll all need measures to safeguard indigenous industry in the wake of the pandemic. The time couldn't have been more ripe for the government to realise its 'Make in India' promise, and provide stimulus to local manufacturing."

For India, disengaging with China will neither be easy nor in some cases advisable. In many sectors like printed circuit boards or semiconductors or solar modules and

"**India cannot have the luxury of not having discretion. The financial position will be very critical in the aftermath of Covid and we should not expose vulnerabilities to China.** We need to identify such sectors and defend them. China has exposed itself with this crisis and shown aggressiveness. The world is wary of it"

Harsh Pant, Director, Studies and Head, Strategic Studies Program, ORF

"**Hostile takeovers are not a country-specific risk and can happen from anywhere in this time of crisis when valuations are down.** China carries a higher risk because of its political setup which is considered non-transparent"

Gopal Agrawal, National Spokesperson (Economic Affairs), BJP

"We should be suspicious of China's motives. They are not open to business and are not transparent about their dealings. **Our own interests are paramount and we should do whatever it takes to protect our companies from falling prey to China"**

Ashwani Mahajan, National Co-convenor, Swadeshi Jagaran Manch

cells, India simply does not have the scale to make components competitively enough. "I do not think the supply chain in the automotive sector can be replaced in six months or one year but yes, if people are disenchanted with China for logical or emotional reasons, it will happen," says Rajiv Bajaj.

In the last few years, the government has increased import duties on a number of products to encourage local production that can reduce the deficit with China. In last year's Budget, duties on a range of consumer durable items like air conditioners, CD, DVD, CRT monitors and TV and plasma display panels were raised. This year too, duties on electrical appliances like fans, water heaters and ovens, electric vehicles and compressors for refrigerators and air conditioners were hiked. Electronic items and electrical equipment form the bulk of India's imports from China. Similarly, on solar equipment, a safeguard duty on imports from China was imposed in 2018; it expires in July this year. There is expectation that beyond the curb on investments, India will look at increasing duties on more items from China. "We have been talking about reducing our trade deficit for quite some time now but nothing has come of it. But I think this pandemic will reopen the debate that more needs to be done," says Pant of ORF. "There will be a clear attempt at restructuring the foundations of our manufacturing and innovate so that we are less dependent, particularly in critical sectors."

Reducing the deficit also has its pitfalls for India. No other country has the scale and capacity to supply parts that are being imported from China. Building indigenous factories will also take time.

"I do not foresee takeover anxieties in the renewables sector. There were opportunities in the past too but they didn't fructify and nothing big has changed to suggest they will suddenly start happening now," says Ashish Khanna, MD & CEO, Tata Power Solar and President. Tata Power Renewables. "There was an attempt to curb imports from China with safeguard duties but it was not very successful. We are not in a position to self-sustain and the advantage China has is that they have the full value chain for manufacturing solar panels, modules and cells. They also have the scale that makes them cost effective. For us, till the time we have the full supply chain, any abrupt stoppage (of imports) will harm the industry."

Next up, People's Bank of China's foreign portfolio investor licence is due for renewal in May. Following that, licences of at least a dozen more investors from China, including its sovereign fund, National Social Security Fund and Hong Kong-based East Asia Bank, shall come up for renewal in the next two years.

Their fate will indicate which way this relationship is headed. BT

(*With inputs from Nirbhay Kumar*)

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More sections of the economy started operations after April 20, though partially

Healthcare has remained exempted but the condition of the sector remains weak

Supply chain in exempted categories only partly functional; labour shortage a major challenge

Pharma exports permissible but high freight charges, raw material cost impacting competitiveness

Agriculture harvesting, procurement and social distancing are at odds with each other

No Exemption from Pain

Why even sectors permitted to function find it tough to operate given their linkages with the closed segments of the economy

BY JOE C. MATHEW
ILLUSTRATION BY RAJ VERMA

E**ver wondered** why your neighbourhood chicken shop does not have your favourite meat, or even if it does, is pricing it too high? Amit Saraogi, Managing Director of Kolkata-based ₹550 crore Anmol Feeds Pvt Ltd, a feed supplier to the poultry industry, says it is the complete breakdown of India's chicken economy — hatcheries to feed suppliers to commercial farms to bulk suppliers to retailers — that has caused this crisis. The exemption it enjoys as part of the agriculture and allied sector has not helped either. The problem started with a rumour in February that the bird may spread coronavirus. This hit demand during the month. By the time the lockdown was announced in March, "the Indian poultry industry had suffered a ₹15,000 crore loss as bulk suppliers abandoned the birds and farmers sold them for almost free," says Saraogi. The demand is limping back but there is another problem. There are few birds, which means less demand for poultry feed, but Saraogi is struggling to meet even this demand as operations of his raw material suppliers - solvent companies that produce maize gluten, rice bran oil, etc — have been hit. The reason: they are not getting their raw material as soybean harvest, operations of rice millers, etc, have been hit due to labour shortage, administrative restrictions and shortage of trucks and truck drivers. The cash flow situation in the poultry industry is so bad that Saraogi says "it will take at least three months, after the lockdown gets over completely, for it to normalise".

Not all industries that have been allowed to function during the lockdown are facing such a catastrophic situation, but on April 4, Pawan Kumar Agarwal, Secretary of the Consumer Affairs Department of the government of India, shared a suggestive list of 71 companies that deal in essential goods with chief secretaries of all states and Union Territories. The idea was to ensure that none of these companies faced any difficulty in resuming production and moving goods across the country. The list included 48 food and grocery companies like Adani Wilmar Ltd, Britannia India Ltd and Pepsico India, 17 organised retail chains like Reliance Fresh and Mother Dairy, and seven e-commerce firms, including Amazon, Flipkart and Swiggy. Despite the clear instructions, none of these players can claim seamless, full-fledged operations across India. For instance, PepsiCo could make its food plants in Punjab and Maharashtra operational, but the one in West Bengal is awaiting clearance to restart operations even as *Business Today* goes to press. With central

Parts of Economy That Can Function Fully or Partially

Agriculture
Primary source of livelihood for about 58 per cent population. Gross value added by agriculture, forestry and fishing was estimated at ₹18.55 lakh crore ($265.51 billion) in FY19

Healthcare
The hospital industry in India is forecast to increase to ₹8.6 lakh crore ($132.84 billion) by FY22 from ₹4 lakh crore ($61.79 billion) in FY17; a CAGR of 16-17 per cent

Pharmaceuticals
The size of the sector was $33 billion in 2017. It is expected to expand at a CAGR of 22.4 per cent over 2015 to 2020 to reach $55 billion. Exports were $19.14 billion in FY19

Logistics
Estimated to be around $160 billion

EOU & SEZ
Accounts for 34 per cent of country's total exports

IT & ITeS industry
$181 billion revenues in FY19. Exports rose to $137 billion in FY19 while domestic revenues advanced to $44 billion. It employed 4.1 million people as of FY19.

advisories themselves being revised often, and implementation patchy across states, even the agri-food sector which, along with pharmaceutical, healthcare and logistics, was the first to be exempted from the lockdown, has hardly resumed full-fledged operations.

Technically, over 30 per cent of India's $2.7 trillion economy was allowed to function from April 20 onwards after the government included more activities in the exempted list, including manufacturing in non-municipal areas and access control areas like SEZs, EOUs and industrial townships, apart from IT and IT enabled services and real estate. However, despite three dozen directives from the home ministry for smooth running of essential services since the lockdown was announced on March 24, the problem persists. "Several companies have reported difficulties in getting labour. Local administrations should be advised to facilitate availability of labour in factories, warehouses and transportation and distribution operations," notes Consumer Affairs Secretary Agarwal.

The root causes of most problems are restrictions on movement of people, and their unwillingness to do work that involves moving across the country, both because of genuine health concerns. Shortage of truck drivers, farm labourers and warehouse workers is resulting in disruption of supply chains, non-availability of raw materials and less production. "Health is a state subject. So, whatever be the intent and content of the central directives, one cannot stop state governments from asking truck drivers who travel inter-state to quarantine themselves for 14 days after they return. You cannot stop workers returning home from factories in nearby states from being asked to isolate themselves for weeks. The result is that drivers are not willing to go inter-state and workers are unwilling to go to factories," says a representative of a food company. .

30%
The part of the economy that is functioning at the moment after relaxations to certain businesses

₹15,000 CRORE
Loss to the Indian poultry industry even before the lockdown was announced

As it is, healthcare workers are getting ostracised in their residential colonies, some even manhandled, making working even in health facilities like hospitals risky, impacting the performance of the sector. Fear rules.

Ill Health

Nipun Jain, partner of Pharmchem, a small scale pharmaceutical company that makes antibiotics such as erythromycin and clarithromycin in Bahadurgarh, Haryana, has gone slow on production despite operational freedom to the pharmaceutical sector. He has a pass that allows him to cross the Delhi-Haryana border to go to his factory from Delhi. But this cannot help him get the required raw material at a competitive price and export finished goods. First, prices of key raw materials, imported from China, have increased. "Erythromycin has gone up from less than $100 a kilo to $130 a kilo. Clarithromycin is costing $170 a kilo, up from $130 a kilo in the pre-lockdown period," says Jain. Even if he is willing to pay, he cannot buy the quantity he requires, as truck operators are refusing to carry less than full load. "Earlier, booking offices of transport firms used to consolidate 10 small orders and fill the truck. Now, their offices are closed. If I have to buy some material from Mumbai, say 500 kilos, no one will deliver it. The truck owners say they have less drivers and trucks, hence can only take orders for full load (at least nine tonnes). If I have less than that, what do I do?," he asks. Jain has also decided against exporting as cargo flights are charging exorbitant rates. "Unless they offer the same price as before the lockdown, we will be left with no margin. If you are charging us three times more, how will we send our goods? I am waiting for the freight rate to become normal."

The bigger pharmaceutical companies in India are slightly better off than the smaller ones. Sudarshan Jain, Secretary General of the Indian Pharmaceutical Alliance (IPA), says the industry has managed to sustain production amid all challenges. The alliance is a group of 24 leading Indian pharmaceutical companies that account for over 80 per cent of the country's exports of drugs and pharmaceuticals and 57 per cent of the domestic market. "At this moment, 55-56 per cent production is happening, which is big, as inter-state movement is not all that smooth in (manufacturing hubs like) Baddi (Himachal Pradesh) and Daman (Union Territory). There are other centres where production has gone up to 70- 80 per cent," says Jain. He says Indian export-oriented units are also running well in Hyderabad and Vizag. "Mumbai has a problem of employees. But still, we are improving, and hopefully we should be better soon," he says. IPA's Jain also says that no shortage of medicines has been reported, both from within the country and from global customers. "We have good inventory, and though there is a slight delay in delivery, we are better than many other markets. The credit goes to the good coordination between the government and the industry as the government has been coming out with notifications making sure that the production happens." The IPA functionary, however, says that the smaller and ancillary companies are facing issues like shortage of liquidity and people. "Wherever possible, we are working with them."

However, in the hospital sector, even the big corporate hospitals are pleading for government help. Gurgaon-based Paras Healthcare manages seven hospitals in four states. Its hospital bed occupancy rate has shrunk to 25 per cent. The outpatient department is also getting fewer patients. "We are going to incur humongous losses. Despite that we have transformed our Ranchi (Jharkhand) facility into a COVID hospital," says Dr. Dharminder Nagar, Managing Director, Paras. The disease outbreak and the subsequent lockdown have kept people away from hospitals for small ailments and non-critical surgical procedures. Hospitals, however, need to maintain staff and infrastructure as they may be roped in by governments to contain coronavirus. As part of the National Healthcare Committee of industry chamber CII, Nagar estimates about ₹7,300

"**Given the uncertain environment due to the global pandemic and client businesses marred by volatility,** we do not feel it would be appropriate for us to provide an annual guidance at this stage"

Salil Parekh, CEO, Infosys

"**Ninety three per cent of our employees are approved to work from home by our customers** and 90 per cent are engaged in delivering projects and services globally to our customers in a work from home mode"

Abidali Neemuchwala, CEO & MD, Wipro Ltd crore monthly loss to the Indian private healthcare sector for at least three months in a row since March. “Even larger players like us can, maybe, survive for a month or two, but a longer period will be challenging even for us,” he says. In a letter to the central government, the United Nurses Association of India, a body that represents over five lakh nurses in the country, has alleged that small nursing homes are trimming operations or shutting down and asking staff to leave or work for less pay.

What Is Not Allowed

Passenger rail, air and road services

Inter-district and inter-state movement of individuals without permission

Hospitality services, education, training and coaching services

What is Allowed

All health services

All agriculture and related activities

Financial services

IT and IT enabled services with 50% strength

E-commerce

Courier services

All industries operating in rural areas

Broken Supply Chain

The logistics industry cuts across sectors. Realising its critical role, the government had allowed inter-state movement of trucks carrying goods, both essential and non-essential, in the initial days of the lockdown itself. However, ground realities are different. “Movement of trucks is only 5-10 per cent,” says Vineet Agarwal, Managing Director of Transport Corporation of India Ltd. “We still have 800-1,000 trucks on the road which had not reached their destinations pre-lockdown. There could be some movement in and out of big cities but inter-state movements are negligible,” says Agarwal, adding that the drivers are afraid of moving. “If he goes to a manufacturing zone, he has to unload the truck, but there is no labour. Even if he is able to do that, he is not sure where he will get the next load from, or where he will get his food from. Some more manufacturing will happen (after the April 20 relaxation) but it will take at least three weeks for things to get back to a semblance of normalcy once the lockdown is completely over,” he adds.

The silver lining is rail container movement. Since loading and unloading happens locally, and goods are essentially foodgrains and pulses for COVID-19 relief supplies, it is operating at 50 per cent. But that can hardly replace the millions of trucks that are off the road at the moment.

The April 20 relaxation has definitely allowed several core manufacturers to restart plants. But business is not just about manufacturing. “We are going supplier by supplier to see what their constraints are. A car is a sum total of thousands of parts and we have over 75 suppliers over the country. A significant number is in Pune and nearby industrial area which, as you know, is a hotspot. So, we have to see if factories there are allowed to reopen, because even if one part is not being supplied to us, it doesn’t matter if all other factories can operate. It is only after we restart operations and things stabilise in the next two-three months that we will need to look at the problem on the demand side,” says Rajeev Chaba, President and Managing Director of MG Motor. Unlike other automobile makers, MG is sitting on a backlog of 15,500 bookings for its SUV Hector alone.

Of all the segments that have been allowed to function, IT and IT enabled services, major earners of foreign exchange revenues, are the most promising. The government has allowed up to 50 per cent of their employees to work from offices. However, it may take some time before companies would want their employees - who are primarily working from home at the moment - to return to offices. “Ninety three per cent of our employees are approved to work from home by our customers and 90 per cent are engaged in delivering projects and services globally to our customers in a work from home mode,” says Abidali Neemuchwala, CEO and MD of Wipro Ltd, giving a clear indication of the priorities of the IT industry. The business uncertainty despite permission to work and ability to manage much of their business remotely is clearly visible among India's IT majors. Infosys CEO Salil Parekh says: "Given the uncertain environment due to the global pandemic and client businesses marred by volatility, we do not feel it would be appropriate for us to provide an annual guidance at this stage." While Congnizant has withdrawn its full-year guidance for 2020, Wipro has skipped revenue guidance for the first quarter of the current financial year.

One roadblock to resuming full-fledged operations is the frequent changes in government directives. A day after e-commerce companies like Amazon announced that they will start delivering non-essential goods (read mobile phones, accessories and other electronic devices for personal use), the government reversed its stand by stating that only essential commodities will be allowed. E-tail of essential goods is exempt but, here too, delivery is a major problem. Any person attempting to order groceries from *Bigbasket.com* during the lockdown will not miss the scroll that moves at the top. "Dear customer, slots may not be available currently. We are working hard to ensure customers find slots." In a recent tweet, Albinder Dhindsa, co-founder, Grofers, said the online grocer, with a huge backlog of pending orders, is looking for more manpower. "If your company has idling semi-skilled workforce that can do with more income and work in a safe environment, please reach out to @Grofers. We are hiring in our warehouses to increase throughout in all cities," he tweeted. In fact, a report by LocalCircles, a community social media platform, suggests that the percentage of consumers who were able to find essentials on e-commerce platforms was less than half, 41 per cent, on March 30, though marginally up from 39 per cent on March 25.

The second issue is the very nature of the disease outbreak. Today's hotspot (an area where you have COVID-19 patients) may tomorrow be a green zone (where you don't have positive patients), and vice versa. In other words, no company can restart operations thinking it can continue from that moment onwards. The movement may be restricted any time. It's the virus that takes the call.

Rajesh Srivastava, MD, Rabo Equity Advisors, has a suggestion that is perhaps sound during these uncertain times. And it is not linked to the partial, conditional and reversible freedom the government offers to companies today. "Let's assume things (the viral outbreak) get back to normalcy from July onwards, and then it will take two more quarters for businesses to normalise. In other words, you start rebooting your business from the second quarter of FY21, and start normal business operations from January 1, 2021," he says. Srivastava, a veteran in food processing business advisory, is talking about the sector that he knows well. But it could very well be an analogy that works for many other sectors too.

Srivastava has some good news, at least for the food processing business. "The silver lining is that when it opens up, there will be pent-up demand as today, the demand is not extinguished, it's only suppressed. I expect a demand explosion for secondary processed food, the ready to eat, ready to cook, frozen food. My guess is growth will be huge," he adds.

It's hope alone that will drive businesses and consumers, at least for now. BT

(With inputs from Rukmini Rao, Sumant Banerji and Ajita Shashidhar)

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"Several companies have reported difficulties in getting labour. **Local administrations should be advised to facilitate availability of labour in factories**, warehouses and transportation and distribution operations"

Pavan Agarwal,
Secretary, Consumer Affairs

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Rajesh Srivastava,
MD, Rabo Equity Advisors

Hunt for Magic Potion

Seven Indian firms are among those hunting for a vaccine to tame Covid-19.
Here is how the projects are progressing

BY P.B. JAYAKUMAR and E. KUMAR SHARMA
ILLUSTRATION BY RAJ VERMA

Despite the lockdown, Dr Amol D. Raut, CEO at Pune's Genetic Healing and Director at GeneOmbio Technologies, has not slept for days. That's also the case with his 50-odd colleagues, mainly scientists. Dr. Raut is using his nearly two decades of experience in infectious diseases, molecular diagnostics and human genome sequencing to study the structure and characteristics of the four-month-old SARS-CoV-2 virus gene. Soon, his team will launch a genetic study to develop diets suitable to Indians that can improve immunity against the disease. Another study with the 70-year-old Kaivalyadham Yoga Research Institute at Lonavala near Pune will map genes of a sample pool in Maharashtra to learn how Yoga can improve immunity against the coronavirus.

If Dr. Raut's studies to fight coronavirus are looking for allied solutions based on traditional knowledge, cutting-edge genome research is also on across the world to find drugs or vaccines or other possible ways to control coronavirus. MedGenome, a market leader in genetic diagnostic testing in India, has found out why some people are more susceptible to the SARS-CoV-2 virus. MedGenome, along with Chennai-based SciGenom Research Foundation (SGRF), analysed DNA sequence and variation data from over three lakh individuals across the world for its study. They found out variations in ACE2 protein as the reason for the spread of the pandemic. The job of ACE2 - an enzyme created by the ACE2 protein and seen on cell surface - is to maintain blood pressure in the body. The SARS-CoV-2 virus fools ACE2 and binds itself to it to enter human cells. "We have found variants that are predicted to bind to the virus less tightly and make individuals less susceptible," says Dr. Sekar Seshagiri, President, SGRF, and lead study author. He says the study can lead to a rationally engineered soluble ACE2 that can be quickly developed as a therapeutic against the deadly virus. "I think we have a potential drug solution that should work. It can be developed quickly with the right pharma or biotech partner," says Sam Santhosh, Chairman, MedGenome. The Centre for Cellular and Molecular Biology (CCMB), Hyderabad, the Institute of Genomic and Integrated Biology (IGIB), New Delhi, and Chandigarh-based Institute of Microbial Technology (IMTech) have taken up the task of large-scale genome sequencing of the Covid-19 virus to study its behaviour on the Indian population.

It is a desperate rush globally to find a cure for coronavirus. More than two lakh people have died of the disease but science is yet to develop a vaccine or proven drug. Thousands of research papers and results of brief studies have been out in the last three-four months. Based on data from Wuhan, experts say 79 per cent of the virus has the same genetic material as Severe Acute Respiratory Syndrome

Indian Companies in the Race

COMPANY	PARTNER	PLATFORM	STATUS	TARGET
Serum Institute of India	Codagenix, USA	Live Attenuated Virus	Animal trials	Phase I human trial in May
Zydus Cadila	NIL	rMV (measles virus)	Animal trials	Phase I human trial in H2, FY21
Zydus Cadila	NIL	DNA	Pre-clinical	N/A
Biological E	NIL	Protein Subunit	Pre-clinical	N/A
Bharat Biotech	FluGen/Uty of Wisconsin	M2SR	Pre-clinical	Launch vaccine in 2021
CCMB, Hyderabad	In search of partners	Live Attenuated Virus	Pre-clinical	N/A
Indian Immunologicals	Griffith Uty, Australia	Live Attenuated Virus	Pre-clinical	N/A
IISc, Bangalore	Mynvax, Bangalore	Spike Proteins	Pre-clinical	N/A

The Global Challenge

COMPANY	PARTNER	PLATFORM	STATUS	TARGET
CanSino Biologics	Institute of Biology, Beijing	Live attenuated virus (Ebola)	Phase II	2021
Schenshen Genoimmune, China	N/A	Re-combinant aAPC	Phase I	N/A
Sinovac	CNPG	Inactivated virus	Phase I	N/A
Moderna, US	Nil	Messenger RNA	Phase I	Phase III by end 2020
Inovio Pharmaceutical, US	Beijiing Advaccine Biotech	DNA Plasmid	Phase I	Phase II soon
GSK/Sanofi	various partners	Immuno boosters	Pre-clinical	Vaccine by 2021
Sanofi	Translate Bio	mRNA	Pre-clinical	N/A
BioNtech	Pfizer	mRNA	Soon in Phase 1	N/A
CSL Australia	Seqirus Germany	Molecular-clamp tech	Pre-clinical	N/A
Oxford Uiversity	N/A	ChAdOx1	Phase 1/2	Trial completion by May 2021
Janssen (J&J)	Beth Israel Deaconess	Ebola/HIV	Pre-clinical	Phase I by end 2020

(SARS) and 50 per cent of the same material as Middle East Respiratory Syndrome (MERS). But a confirmed treatment is still not on the horizon. Only a frantic hunt is on.

The best solution is a vaccine. Another option is repurposing of old molecules against infections like fevers, leprosy or malaria as drugs for coronavirus. Many respiratory drugs are also being looked at. All known vector platforms are being used to develop new vaccines, be it dengue, influenza, HIV, SARS or Ebola, or a mix of many or new platforms.

At least seven out of 78-plus ongoing known vaccine projects are from India. From malaria drugs to BCG vaccines and innovated medical devices, almost all public and pure research private R&D laboratories are working on one or the other project to fight the virus.

Repurposed Drugs/Therapies Effective in Covid-19 Treatment

DRUG	USE
Remedesivir (Gilead)	Ebola
Lopinavir/ritonavir combined with interferon-beta	HIV
Hydroxychloroquine	Malaria
Opaganib (Red Hill, Israel)	Cancer
Plasma Therapy	
BCG vaccine	

Indian Baby Steps

Adar Poonawalla, CEO of Pune-based Serum Institute of India, was among the first to initiate attempts to make a Covid-19 vaccine in India. Serum, the world's largest vaccine maker in volume terms, roped in US-based biotech Codagenix, which is developing a Covid-19 vaccine similar to the one for measles. "By 2021, we should have a vaccine from Serum. We will not patent it and will make it available to as many people as we can to manufacture it. Profits are not the focus at this point," he announced this week. Codagenix plans to move into human trials by September and recombinant BCG vaccine trials in April.

Pankaj R. Patel, Chairman, Zydus Cadila, has to his credit development of a couple of new chemical drugs and creation of a robust vaccine portfolio and infrastructure. When coronavirus was spreading in Wuhan, in mid-February, Zydus initiated Covid-19 vaccine development in India and Europe. One attempt is to develop a DNA platform vaccine to stop entry of Covid-19 virus into human cells. Simply put, it is a process that involves using the DNA with the genetic code of certain parts of the virus injected into the body to trigger the body's immune system to fight the virus. The second approach is with a recombinant measles virus (rMV) vectored vaccine against Covid-19. The rMV, produced by reverse genetics to protect from infection, is currently in animal testing, and if all goes well, clinical trials can start in the second half of FY21. It involves using the measles virus vaccine as a carrier to make the body produce antibodies against the Covid-19 virus. "Our manufacturing facilities for producing recombinant antigens and measles containing vaccines will enable rapid ramping up of production for both vaccine candidates once the proof-of-concept is established," says Patel.

Zydus Cadila, among the largest integrated manufacturers of malaria drug Hydroxychloroquine (HCQ), which is now in demand as a drug to treat Covid-19 patients, is also going to experiment with its biological therapy Pegylated Interferon Alpha-2b, 'Pegi-Hep'. Recent studies in the US suggest Interferon Alpha has positive effects on Covid-19 patients. Zydus has approached the Department of Biotechnology (DBT) for permission to start clinical trials. It is also working with the USFDA to open an Investigational New Drug filing for PegiHep.

CCMB-Hyderabad is developing an inactivated virus vaccine, which is in the lab stage. Here, viruses are inactivated with heat or chemical process to stop reproduction. When injected, the body recognises the proteins of the virus and starts making antibodies against it. "If we can grow a large amount of virus and then inactivate it, it will become material for a candidate vaccine," says Dr. Rakesh K. Mishra, Director, CCMB. For that, he says, "We will need a company that can take it forward. We are currently at a discussion stage on this."

Hyderabad-based Bharat Biotech has collaborated with University of Wisconsin–Madison and US-based vaccine company FluGen, which will transfer technology to the Indian company. Bharat Biotech founder Dr. Krishna M. Ella says, "We can bring the vaccine into market in eight months though globally experts talk of 12 to 18 months." He is optimistic. "Because this platform (M2SR) is proven in Phase II human challenge studies, we can fast-track the project," he says.

Indian Immunologicals, another Hyderabad company, has joined hands with Australia's Griffith University to develop a live attenuated vaccine using a faster process called 'codon optimization technology'. "This will be a single dose with long-term protection and a safety profile similar to other vaccines used in active immunisation," says K. Anand Kumar, Managing Director, IIL. Scientists with Indian Institute of Science, Bangalore, are also developing virus spike proteins controlling vaccine and have tied up with local biotech R&D start-up Mynvax to explore a vaccine cure for coronavirus.

"Our manufacturing facilities for producing recombinant antigens and measles containing vaccines would enable rapid ramping up of production for both vaccine candidates, once the proof-of-concept is established"

Pankaj Patel
Chairman, Zydus Cadila

"By 2021, we should have a vaccine from Serum. We will make it available to as many people **as we can to manufacture it. Profits are not the focus at this point**"

Adar Poonawalla
CEO, Serum Institute of India

"Immune boosting vaccines such as Recombinant BCG (bacillus of Calmette and Guerin) and Mw (Mycobacterium Indicus) strains are in the works in India. Convalescent plasma therapy has also been initiated in some sites (Kerala and New Delhi)," Lav Agarwal, Joint Secretary, Ministry of Health & Family Welfare, said during a recent press briefing on Covid-19.

India, which is working with the World Health Organization (WHO) for a 'Solidarity Trial' – a concerted effort to develop vaccines and drugs for coronavirus – has formed a high-level task force for vaccine development and related research. If Indian vaccine dreams are in nascent stages, global firms have advanced a lot in a short time frame.

The Global Hunt

In mid-January, when the virus was spreading in Wuhan, Chinese authorities asked Major General Chen Wei, the military's top epidemiologist and virologist, to go there. The 54-year-old and her team had in 2002/03 developed a vaccine for Ebola and suppressed SARS. Chen Wei's team set up a makeshift laboratory at a tent in Wuhan. The initial attempts were to try plasma therapy. They also tried a nasal spray they had developed during SARS. That was effective but high costs of development, inability to mass produce and side effects were roadblocks. One vaccine they developed has entered second phase of clinical trials and could be among the first vaccines for coronavirus, by early next year.

The Institute of Biotechnology of the Academy of Military Medical Sciences along with Tianjin-based CanSino Biologics will test candidate vaccine on 500 people in the second phase at two Wuhan military hospitals till January 31, 2021, says data available in the Chinese Clinical Trial Registry. That vaccine attempt, named as Ad5-nCoV, is based on a known route – from inactivated viruses, using the platform that developed an Ebola vaccine.

Another vaccine candidate - a recombinant novel coronavirus vaccine, aAPC, from Shenzhen Geno-Immune Medical Institute, has also moved to Phase I. While Sinovac and China National Pharmaceutical Group are testing

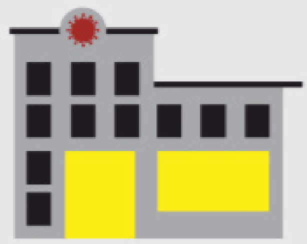
Indian Coronavirus Innovations

Sanitiser for Notes and Keys

Southern Naval Command innovated an Ultra Violet Disinfection Unit, with IIT Mumbai. The unit, priced at ₹5,000 produced by Naval Ship Repair Yard, Kochi, can disinfect small objects like currency notes, cards, wallets, pens where sanitising gels and liquids cannot be applied

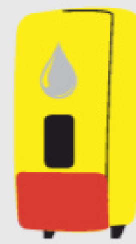
Electric Masks

The Centre for Nano and Soft Matter Sciences, Bangalore, an autonomous institute of the Department of Science and Technology (DST), has developed the TriboE Mask, which holds electric charge to restrict entry of infections



Superfast Covid Hospitals

Ahmedabad's Civil Hospital was converted to a dedicated Covid hospital in four days with 1,200 beds. Kasargod district hospital in Kerala became a medical college to treat Covid patients within a week



Automatic Mist Sanitiser

DRDO's Centre for Fire Explosive & Environment Safety, Delhi, using its expertise in mist technology for fire suppression, developed a contact-less automatic mist-based sanitiser dispensing unit

vaccines using inactivated SARS-CoV-2, Shenzhen Genoimmune has begun clinical trials of two vaccines (LV-SMENP-DC and aAPC), genetically modified to target the SARS-CoV-2 spike protein, say sources.

US-based Moderna is the first to test a Covid-19 vaccine (mRNA-1273) on humans after record development in 66 days. "Plans are to start Phase II study in the second quarter, with a Phase III study by fall 2020," says Moderna. mRNA vaccine alters the genetic code in DNA of human cells to develop immunity against the virus. It has high potency, low cost of production and is safer than conventional vaccines. But the issue is that so far no biotech company has commercialised an mRNA vaccine. (CureVac and BioNTech are two other companies trying the same route).

US-listed Inovio Pharmaceutical, with Beijing Advaccine Biotechnology, is developing vaccine candidate INO-4800. It has started Phase I clinical trials and will start a Phase I/II clinical trial in South Korea soon with International Vaccine Institute, supported by a $6.9 million grant from the Coalition for Epidemic Preparedness Innovations. Moderna and Inovio are yet to commercialise any vaccines.

Although many large multinational vaccine developers — Janssen, Sanofi, Pfizer and GlaxoSmithKline (GSK) — are also making attempts, most lead developers so far are small or inexperienced biotech firms. Therefore, multinationals are teaming up with them, with funds and expertise.

GSK and Sanofi joined hands to develop a vaccine by the second half of 2021 and shared potential molecules that excite the immune system and boost vaccine potency. GSK is also working with Vir Biotech, the University of Queensland in Australia, Chinese biotech company Clover Biopharmaceuticals and five other partner companies and research groups to develop vaccines based on its own compounds that enhance the effectiveness of vaccines.

Sanofi and US-based Translate Bio are researching on many potential vaccines. Sanofi also has collaborated with BARDA and US Health and Human Services (HHS) to advance a SARS vaccine candidate using Sanofi's recombinant DNA technology, besides sharing its vaccine R&D experience with others. The Australia-based Commonwealth Serum Laboratories (CSL) and German influenza vaccine major Seqirus are trying a novel molecular-clamp technology to fast-track the development of a vaccine.

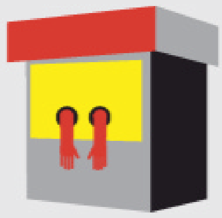
The world's largest drug company Pfizer has teamed up with BioNTech to jointly develop BioNTech's mRNA-based vaccine candidate BNT162. The vaccine will soon enter human trial stage. Johnson & Johnson's unit Janssen Pharmaceutical and Beth Israel Deaconess Medical Center are trying a vaccine from candidates for Ebola and HIV, and plan to start Phase 1 trials by end of 2020. Australia's national science agency CSIRO has begun pre-clinical tests of a vaccine developed by the Oxford University in the UK.

Funds and Approaches

Sir Andrew Witty, former global CEO, GSK, has taken leave from his current employer, US-based UnitedHealth Group, where he is president and CEO of group firm Optum. Witty, who transformed GSK as a vaccine specialist's mission, is to co-lead a global effort of the WHO to accelerate development of Covid-19 vaccines. Other experts reportedly include Moderna's Tal Zaks, CanSino Biologics' Xuefeng Yu and Sanofi's John Shiver. This group is expected to coordinate and design common trials instead of independent trial designs and studies. On April 9, the WHO announced

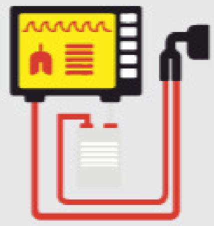
Bacteria Detector

Researchers at the Agharkar Research Institute, Pune, have developed a sensitive and low-cost sensor to rapidly detect bacteria. The portable device can detect as few as 10 bacterial cells from a sample size of one milliliter in just 30 minutes



Sample Collection Kiosks

Within a week of South Korea developing kiosks to collect swab samples without human intervention, Kerala launched WISK sample kiosks, costing ₹40,000. The Defence Research and Development Laboratory, Hyderabad also developed Covid Sample Collection Kiosks



Mini Portable Ventilator

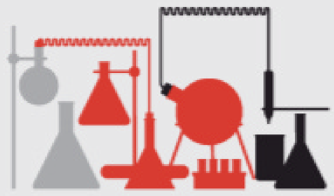
A hand-held emergency ventilator has been developed by Sree Chitra Tirunal Institute for Medical Sciences and Technology, Thiruvananthapuram. A normal Artificial Manual Breathing Unit needs an operator. Priced less than ₹15,000.

Integrated Geospatial Platform

DST developed an integrated geospatial platform with area-specific geospatial datasets, standards-based services and analytic tools for strategies and decisions and analysing socio-economic impact

UV Sanitisation Box and Hand-held UV device

Defence Institute of Physiology & Allied Sciences and Institute of Nuclear Medicine & Allied Sciences developed Ultraviolet C-light based sanitisation box and hand-held UV device to destroy genetic material in Covid-19



CSIR Labs - Drugs

Indigenous study of promising anti-viral molecules such as Umifenovir, Favipiravir, phytopharmaceuticals and leads from traditional medical systems

it is planning an international study, the Solidarity vaccine trial, to compare and assess various vaccines under development. India has also joined.

There are broadly six-eight approaches to develop vaccines. Normally, it takes two-three years of pre-clinical and animal studies and three phases of human trials with 2,000-5,000 people over five-six years before the product is commercialised. Now, regulators are ready to compromise on trial rules and have fast-tracked promising molecules. According to CEPI, a global alliance financing and coordinating development of vaccines against emerging infectious diseases, the global Covid-19 vaccine R&D landscape includes 115 candidates. Of this, 78 are confirmed as active and 37 are unconfirmed and in exploratory stages.

Fifty-six of the confirmed 78 are being developed by private or industry developers and 22 are led by academic, public sector and not-for-profit organisations. Of that, 36 developers are in North America, 14 each in China, Asia excluding China and Australia, and Europe.

Another vaccine into human clinical trials is 'ChAdOx1' from University of Oxford, based on a non-replicating viral platform that attempted cures for MERS, influenza, TB, Chikungunya, Zika, MenB, plague, etc. According to WHO and *clinicaltrials.gov* details, the vaccine will go through Phase I and 2 trials together in 510 volunteers in the UK from this month, with a target of trial completion by May 2021. However, the university has started production at seven sites so that time is not lost after completion of trials.

The world is pooling resources to fund vaccine development. The World Bank has announced a $6 billion support for disease control and related developments. Re-allocations are expected from the Global Fund to Fight AIDS, Tuberculosis and Malaria, Gavi, an international alliance to improve access to vaccines, and Global Financing Facility grants for service delivery. UK's Wellcome Trust is looking to raise $8 billion to eliminate Covid-19. It plans to spend $2 billion on vaccine development and $1.5 billion on advancing therapeutics. WHO, CEPI and Covid-19 Therapeutics Accelerator have already committed more than $1 billion. Biomedical Advanced Research and Development Authority (BARDA) of the US government has committed $483 million for development of Moderna's vaccine. Inovio has got a $6.9 million grant from CEPI. BARDA is also part funding J&J in its Covid-19 vaccine quest, a $1 billion affair. BioNTech's partner Pfizer will give $185 million upfront payments, with $563 million on the table in the form of biobucks. J&J is investing $1 billion on its vaccine candidate, with half the funding promise from BARDA.

But, most know it is a risky, unsure path ahead to come up with a vaccine this year. BT

@pb_pbjayan; @EKumarSharma

Grinding Halt

Manufacturing, supply chain and distribution infrastructure of FMCG, retail and ecommerce companies came to a standstill due to the lockdown

Ecommerce grocery retailers also faced pile-up of undelivered orders

When there was clarity about movement of essential goods, they faced manpower shortage, as people were not allowed to travel and many migrant labourers had returned to their homes

This forced companies to look for other ways to ensure deliveries

Reinvention Time

From partnering with cab aggregators, food delivery platforms and third-party supply chain firms, **FMCG and retail majors have gone all out to ensure that their products reach consumers.** A reinvention of traditional supply chain is on the cards

BY AJITA SHASHIDHAR
ILLUSTRATION BY RAJ VERMA

Hindustan Unilever's (HUL's) Humara Store project is close to Chairman and MD Sanjiv Mehta's heart. With the company generating 90 per cent of its business through general trade, Mehta has been passionate about digitally enabling *kirana* stores across the country. Way back in 2017, the company had converted a few grocery stores in Delhi into Humara stores. It tried to technologically empower the owner by getting him to order through HUL's Shikar app. It also enabled him to offer online services to consumers and keep the right stock keeping units (SKUs) by using data analytics. Back then, a tech-enabled *kirana* store sounded unreal. In fact, many store owners downloaded the app, but never used it. "I have the app but have never used it. Who has the time to order online? I prefer distributors coming to my store and taking orders," Arvind Sathe, a *kirana* store owner in Nashik, had pointed out then.

Fast forward to March-April 2020, the era of the deadly coronavirus pandemic where becoming digitally enabled is a must for the entire FMCG ecosystem. With traditional supply chain ecosystem nearly coming to a halt due to lack of manpower, FMCG majors (HUL, Britannia, Marico, ITC, among others) have hurriedly started using the digital route to get their products to consumers. The last one month has seen companies partnering with food delivery platforms (such as Swiggy and Zomato), cab aggregators such as Uber, and even security and community management solution providers such as MyGate and NoBrokerHood, to reach consumers. Third-party supply chain distributor ShopX claims a 46 per cent rise in ordering by traditional grocery retailers from its platform in the first week of the lockdown itself. Cash and carry retailers such as Metro Cash & Carry have started picking up stocks from factories of FMCG majors and delivering to *kirana* retailers. Metro has also been encouraging stores to order from its app. Close to 83 per cent packaged FMCG business in India happens through general trade while ecommerce is less than 2 per cent. The latter, say experts, will surely see a surge post the lockdown to 15-20 per cent but the most interesting bit is how the traditional distribution network, which FMCG companies have built over decades, will evolve.

From companies adopting more automation across distribution networks, to moving towards asset-light models by working with third-party distributors, to consolidating existing networks, the next few months will see a major overhaul of the distribution network of the $100 billion Indian FMCG industry.

"The pandemic has subjected the country to an unprecedented situation. To provide support to consumers, we decided to address the distribution challenge in line with our core principles of innovation, agility and empathy. We are delighted that our unique partnerships with food delivery chains, consumer food apps,

Out-Of-Box Solutions

Coronavirus has forced companies to step out of their comfort zone

HUL, ITC, Marico and Britannia have partnered with restaurant delivery and hyper-local delivery platforms such as Swiggy, Zomato and Dunzo

Cash and carry retailers such as Metro Cash and Carry have started delivering to retailers

Big Basket and modern retail companies such as Spencer's Retail have partnered with cab aggregators such as Uber

BigBasket and ITC have partnered with online real estate company NoBroker's residential community management arm, NoBrokerHood, to deliver in 2,000 residential societies

ITC and Grofers have partnered with security and community management solution provider, MyGate, to deliver essentials in over 7,000 gated communities

Dairy companies such as Amul, Lactalis and Creamline have started direct distribution to homes

community e-commerce brands and our own direct to consumer portal have provided timely supply of essentials to consumers. We are witnessing strong demand through these channels," says B. Sumant, Executive Director, ITC, adding: "These partnerships are a vindication of the power of collaboration as no brand alone can fulfil the needs of the nation during these unprecedented times."

Marico has partnered with not just new-age tech platforms. It has also joined hands with logistics companies such as Delhivery, Shadowfax and Lalamove to deliver products from factories to depots and thereafter to distributors. "The distributors have also used services of these logistics partners to ensure movement of goods to retailers. Rolled out within 48-72 hours of the lockdown, this helped resolve problems at different levels and helped multiple distributors across regions restart their business," says Sanjay Mishra, COO (India Sales and Bangladesh Business), Marico.

A recent Nielsen report says supply chain and distribution reinvention is the priority of 50 per cent leaders of the FMCG industry while 43 per cent consider it as their top priority for the next 12 months. Evaluating various methods of digital distribution is priority of 57 per cent leaders while over 50 per cent consider digital transformation as top priority of their organisation over the next 12 months. Acharya Balkrishna, MD of Patanjali Ayurved, says a digitised supply chain and distribution ecosystem is a must in the current scenario. The FMCG player had unveiled a new digitised supply chain distribution system — which enables traceability right from the source of ingredients to manufacturing and thereafter at the distributor's warehouse right up to the final sale point — just before the outbreak of the pandemic. "Our business faced a setback post demonetisation and GST after which we started putting together our digitised supply chain distribution mechanism. We have a clear picture of our stocks in various warehouses and at retailers. Thanks to the new system, we have been able to handle the coronavirus disruption well. Our system gave us real-time information the moment the disruption happened and we at once focused on markets where supply was an issue. We also prioritised products we needed to manufacture keeping in mind the labour shortage," says Balkrishna. He says after the initial disruption during the first two weeks of the lockdown, Patanjali is close to achieving its sales target for March-April.

Harsha Razdan, Partner and Head, Consumer Practice, KPMG, says reinvention of supply chain and distribution has become all the more important as consumer expectations and behaviour will change in the post-coronavirus world. "This will require FMCG companies to re-align supply chains in terms of agility, reliability, transparency, hygiene perception and traceability. The globally interlinked supply chains will move towards higher localisation and source diversification to mitigate risk. In addition, there is going to be a marked shift towards online/marketplace delivery. Supply chains will need to be reconfigured to address this shift."

At A Glance

$100 BN

PACKAGED FMCG MARKET

83%

PART OF FMCG MARKET SERVED BY TRADITIONAL DISTRIBUTORS

Source: Alvarez and Marsal

"Our unique partnerships with food delivery chains, consumer food apps, **community e-commerce brands and our own direct to consumer portal have provided timely supply of essentials to consumers."**

B. Sumant, Executive Director, ITC

"We have a clear picture of our stocks in various warehouses and at retailers. **Thanks to the new system, we have been able to handle the coronavirus disruption well.** Our system gave us real-time information the moment the disruption happened"

Acharya Balkrishna, MD, Patanjali

Digital Backbone

Automation is set to become the buzzword. While bigger companies have embraced automation to a large extent, mid-sized and smaller manufacturers will also feel the need to invest in technology. "So far, supply chains have been optimised for costs and responsiveness to demand. Now, companies will say, how do we factor in risks to labour? Therefore, they may want to automate across the value chain," says Kannan Sitaram, former Dabur COO and currently Venture Partner, Fireside Ventures.

Small and mid-sized companies are also looking at strengthening ties with third-party distribution companies such as ShopX and Udaan which already have a strong tech backbone. Srini Vudaygiri, CEO, Unibic Biscuits, says he is in talks with several such companies. "During the lockdown, these new-age distribution companies seemed to be better prepared than most others. They were able to get curfew permits and put trucks and manpower in place. Relationships with these companies will become stronger," says Vudaygiri. These companies enabled retailers to place orders online and could, hence, follow social distancing. "Since our warehousing is digital, all that the retailers need to do is log in to our app and place orders," says Amit Sharma, CEO, ShopX. He says their digitised system enables them to tell retailers about products that are more in demand. "Sanitisers were not the only product in demand. A lot of consumers also wanted to buy products like UHT (ultra high temperature) processed milk and juices. We were able to give this information and, thereby, enabled them to stock more efficiently."

Ashish Jhina, Co-Founder and COO of Jumbotail, says orders on his platform have risen two-three times since the lockdown. "Post COVID 19, we will see a huge change in go-to-market strategies of companies. They will try to find ways to make their supply chain and distribution networks more resilient. Traditional supply chain and distribution networks were also not able to withstand shocks such as demonetisation and GST."

While players such as ShopX, Udaan and Jumbotail have been in the distribution business for a while, the new kids on the block who have taken advantage of the disruption are the likes of Swiggy, Zomato, Dunzo, Uber, MyGate and NoBrokerHood. While NoBrokerHood doesn't consider this a long-term business proposition, a spokesperson for Uber says, "Right now, our aim is to keep the economy running and enable Indians to stay at home in line with government guidelines and create earning opportunities for our driver partners. The partnership with retailers further consolidates our new last-mile delivery service."

Food delivery platform Swiggy says it is here for the long term. In fact, there is also unconfirmed news of Zomato buying online grocery platform Grofers. Vivek Sundar, COO, Swiggy, says delivery of grocery and essentials was always part of its long-term strategy and coronavirus lockdown has helped it ramp up faster. "Swiggy entered the groceries and essentials category in 2019 with pilots in Gurgaon and later in Bangalore and Hyderabad. Extending hyperlocal delivery has unlocked a new dimension of convenience and safety for our consumers as well as earnings for our delivery partners during these extraordinary times. We will continue to scale up this category with the goal of providing access to essentials," says Sundar. Mishra of Marico confirms they are considering their partnership with the likes of Swiggy and Zomato for the long term. "We will continue to leverage this to reach our consumers directly."

While FMCG firms' increased focus on ecommerce (currently less than 5 per cent of sales) is a no-brainer

considering that consumers will avoid visiting stores even after the lockdown, a number of experts say unit economics of doing business with food delivery platforms may not work in the long term. "The traditional supply chain is much more cost effective," says Kannan of Fireside Ventures. A big FMCG brand would have retail margins of 10-12 per cent and distributor margins of 4-6 per cent. A Dunzo or a Swiggy, says Kannan, will also charge a shipping fee, which will take overall costs to 25-30 per cent. "Most companies are currently absorbing these costs as they are desperate to take their products to consumers. I am not sure if it will make sense for them in the long term." Platforms such as Swiggy and Zomato are not viable in the long term, says Balkrishna of Patanjali. "They approached us too but we didn't find it profitable. Ours is a low margin business and they were asking for high margins. It didn't work for us."

P.C. Musthafa, Founder, ID Fresh, says the disruption caused by the lockdown has forced his company to invent an online-offline distribution model. The company has launched an application called 'Product Finder', which enables it to track inventory across stores. It also tells consumers about stores which have ID batters. "One needs to go to our website and key in details of one's locality on the product finder. The finder also gives us information about consumers which, at a later date, will help us service them directly."

Here To Stay

Easwaran P.S., Lead, Supply Chain, Deloitte India, expects companies to make their distribution channels nimbler and lighter. "Companies will conserve cash. A lot of fixed assets will get converted into variables. They will work with people who are specialised in this, which could either be a third-party company or a specialised distributor." An asset light model, however, doesn't mean that the traditional distributor will vanish. In fact, the traditional model is the most cost effective, especially in rural and Tier IV-V markets which account for over 50 per cent of FMCG sales. These are markets where most companies do not have direct distribution networks and largely depend on sub-distributors and wholesalers. "The traditional distribution channel is here to stay because it is a strong backbone of the country. It will take some time to wish that away. Having said that, online and modern trade channel will continue to witness accelerated adoption due to the Covid crisis," says Rishav Jain, Senior Director and Consumer & Retail Sector Lead, Alvarez and Marsal, a consultancy.

In fact, companies such as Amul and Parle Products have tweaked their distribution strategy during the lockdown, but have continued to work within the traditional network. R.S. Sodhi, MD, Amul, says the company has three supply chain and distribution channels, one each for fresh, ambient and frozen products. "When our products were unable to reach consumers due to lack of manpower, we merged the network. The idea was to take products to consumers and whichever distributor had

The Way Ahead — A Major Overhaul

The traditional distribution network will go through consolidation and companies will partner with those which were more resilient during the crisis. Smaller distributors could be merged with the bigger ones to ensure efficiency

Companies' association with third-party supply chain and distribution companies with strong digital backbones will become stronger

While traditional distributor will still be there, large companies may prefer to partner with third-party distribution companies for logistics. The third-party distributor may pick up stock from the distributor and deliver to stores

Small to mid-sized FMCG companies may also want to use cash and carry players as the latter have started delivering directly to retailers

Post demonetisation, many companies had strengthened direct distribution; the trend is likely to catch on further

While bigger companies already have state-of-the-art warehouse management and supply-chain management technology in place, small and mid-sized companies will also feel the need to have such infrastructure the ability to do so started distributing all kinds of Amul products. This helped increase sales."

Similarly, Parle Products offered incentives to transporters and workers so that they keep working, says Category Head B. Krishna Rao. "Since manpower was an issue for our distributors, we encouraged them to get in touch with retailers and ask them to pick stocks from them. We also directly delivered to retailers and partnered with cash and carry players to pick stocks from our factories and deliver to the stores." Rao says though Parle Products is evaluating partnerships with third-party distribution platforms, its traditional distribution network will always remain the focus. "General trade constitutes 90 per cent of our distribution. It may come down to 80 per cent in the foreseeable future but it can never be replaced."

Sodhi of Amul says his company will go back to the old ways once normalcy returns. "We are more worried about today. Once normalcy returns, no one can serve better than general trade."

"The distributors have also used services of these logistics partners to ensure movement of goods to retailers. Rolled out within 48-72 hours of the lockdown, this helped resolve problems at different levels"

Sanjay Mishra, COO (India Sales and Bangladesh Business), Marico

"During the lockdown, these new-age distribution companies seemed to be better prepared than most others. They were able to get curfew permits and put trucks and manpower in place. Relationships with these companies will become stronger"

Srini Vudaygiri, CEO, Unibic

Hybrid Models

Experts are expecting the emergence of a host of hybrid models. A traditional distributor is the stockholding point. He also delivers to the retailer. He is also the working capital provider as he extends credit to the retailer. Vudaygiri of Unibic says distributors may continue to raise bills to retailers and act as stockholding points. But companies may prefer working with a third-party logistics enabler for last-mile delivery. "The distributors needn't extend credit either. There are quite a few fintech companies which are extending credit to retailers," he explains.

While companies will look to conserve cash by working with third-party suppliers, they will also consolidate their existing network for more efficiency. "Covid would have adversely impacted many smaller distributors with stressed cash positions. Therefore, distribution channel could potentially consolidate. Larger and more liquid stakeholders are likely to survive this crisis. Even companies are less likely to take care of all participants in the value chain," points out Jain of Alvarez and Marsal.

The other stakeholder which FMCG companies will increasingly work with are cash and carry retailers. The lockdown has seen the likes of Metro Cash & Carry pick stocks from manufacturers and delivering directly to retailers. Arvind Mediratta, CEO, Metro Cash & Carry, says his company is making a pitch to FMCG manufacturers to make it their natural route to market. "If you look at a small *kirana* shop, a big company like HUL may have enough products to cater to the small store. But a mid-sized FMCG player may not find it economically viable to serve a *kirana* shop. *Kiranas* come to us to buy. We have a large sales force of 750 people. We also have our own ecommerce app. It is much more efficient to reach consumers through us," he says.

On the other hand, the good old *kirana* store owner who was once averse to ordering online is now trying to become digital savvy. Dinesh Patel, owner of a *kirana* store in suburban Mumbai, says he earlier never understood the business models of various online B2B platforms such as Udaan or even BigBasket. "In fact, none of them have been able to deliver due to manpower shortage. I am personally going to distributors to pick up stocks."

But will Patel switch to online platforms when normalcy returns? "I will order online when I am out of stock of certain fast-moving SKUs but I will never stop buying from the distributors. I have a long-standing relationship with them."

The FMCG industry will surely relook at its distribution infrastructure in the new normal post the lockdown. BT

@ajitashashidhar

Survival of the Fittest

Companies with low financial liabilities and high liquidity on their books have **better chance to tide over the coronavirus-triggered deep slowdown**

BY NEVIN JOHN
ILLUSTRATION BY RAJ VERMA

It **was 1991.** The P.V. Narasimha Rao government had just announced the economic liberalisation policy, and top industrialists were scouting for investment opportunities. Rahul Bajaj, Chairman of Bajaj Auto, would often get calls to diversify into businesses the government had decontrolled. But Bajaj was not ready to leverage the auto business to build a power or a cement plant. He wanted to build Bajaj Auto into a leading global automaker, instead of investing in other sectors.

Bajaj was not alone. He was among a number of industrialists who resisted foraying into new businesses, despite prospects of attractive returns.

It is these businesses that appear to be better placed as coronavirus-triggered lockdown clogs cash flows. In general, they have lower debt — some even zero financial liabilities — and surplus cash on books to service loans, if any. Of the 371 non-BFSI (banking, financial services and insurance) companies in the BSE 500 index, there are 32 zero-debt companies and 108 companies with cash and bank balance higher than the gross debt (long- and short-term borrowings), according to the latest half-yearly consolidated data available with Ace Equity.

Information technology (IT) giants Infosys and Tata Consultancy Services (TCS) are the toppers in financial discipline with zero debt on their books and cash and bank balance of over ₹16,000 crore. Considering the high net cash — calculated by deducting consolidated debt from cash and bank balance — gold and diamond jewellery manufacturer Rajesh Exports (with a net cash of ₹12,222 crore), Ambuja Cements (₹9,319 crore as on December 2019), InterGlobe Aviation (₹9,081 crore) and Wipro (₹8,687 crore) are also better positioned to weather the downturn. Coal India tops the list of cash-rich public sector units (PSUs) with net cash of ₹31,640 crore.

So, it's all about sticking to the beaten path and doing what you understand best. Bajaj had diversified into non-banking financial services a decade back, but he expanded the automobile financing subsidiary in Bajaj Auto to create Bajaj Finance. In September 2019, Bajaj Auto had net cash of ₹570 crore and reserves and surplus of ₹23,400 crore on its books.

Besides Coal India, there are quite a few PSUs in the list of net cash-rich companies, including NBCC (India), Petronet LNG, NMDC Ltd, RITES and Engineers India.

Companies focused on creating sustainable capacities have better chances of survival in an unprecedented situation like the one currently playing out. InterGlobe Aviation's IndiGo, for instance, stuck to low-cost, single-class model unlike its rivals Jet Airways and Kingfisher Airlines. It maintains a relatively young fleet by

The Cash Cushion

The top 20 companies with the most comfortable net cash position

Company	Cash and Bank Balance
Coal India	33,475.85
Infosys	16,473
TCS	16,228
Rajesh Exports	15,110.74
Ambuja Cements	9,354.55
Interglobe Aviation	9,703.56
Wipro	18,044.10
HUL	5,142
Siemens	5,001.90
NBCC (India)	4,773.91
ACC	4,647.73
Petronet LNG	4,391.42
NMDC	3,928.41
ITC Ltd.	3,787.97
OFS Software	3,680.81
Rites	3,392.13
Engineers India	2,802.87
Eicher Motors	2,965.51
Ntl. Aluminium Company	2,873.71
MOIL Ltd.	2,260.95

selling and leasing back planes. The airline rewrote industry standards through simple steps such as low turnaround time — the time taken for readying a plane for the next flight between landing and take-off — and lean workforce. Promoter Rahul Bhatia's obsession with technology also helped the company reduce the cost of operations as he introduced digital tools for alerting movements to the ground staff. InterGlobe Aviation had cash and bank balance of ₹9,703 crore as on September 2019, as against employee cost of ₹3,564.5 crore and interest cost of ₹1,388 crore for April-December 2019.

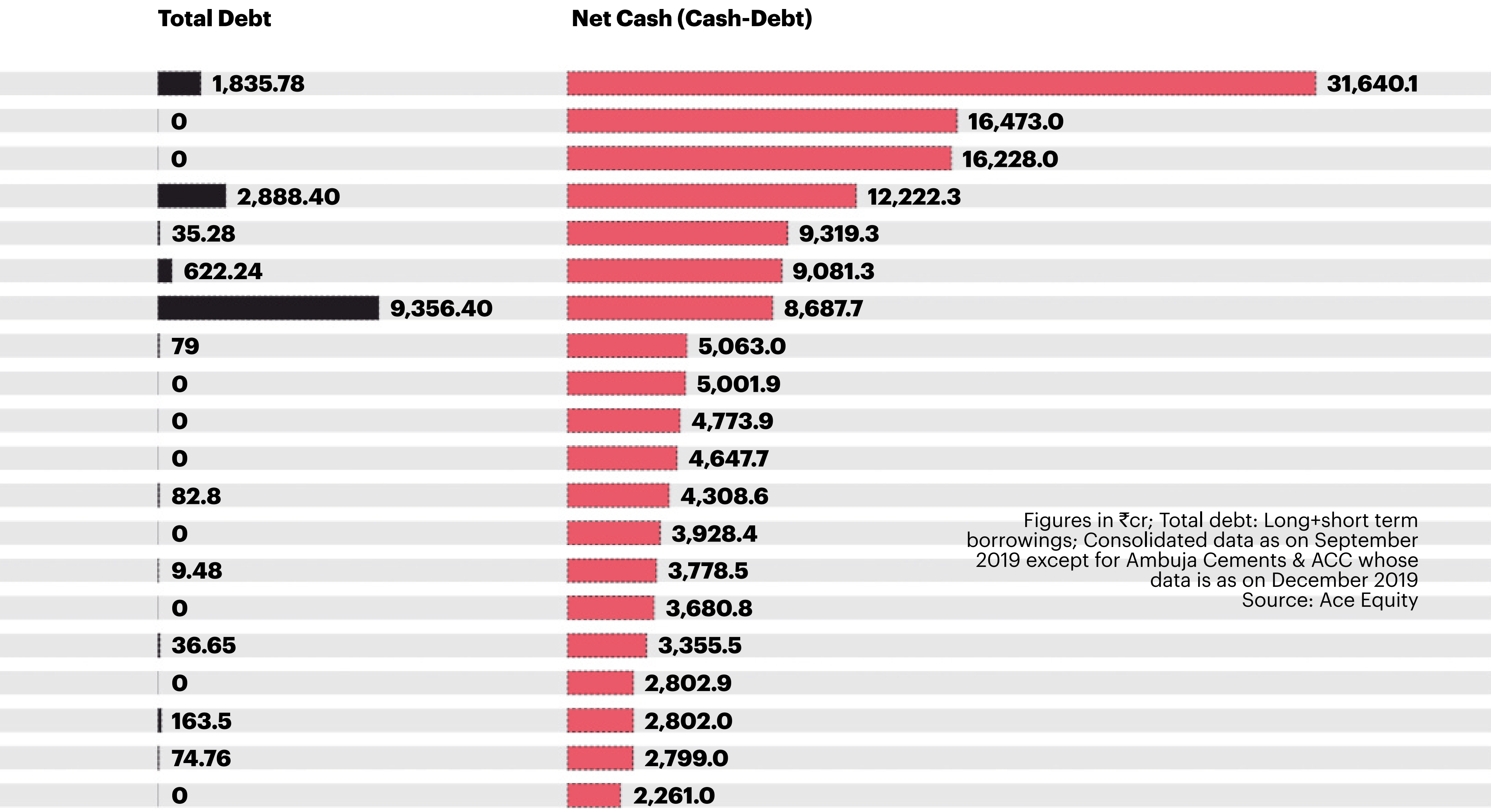
If IndiGo is Indian aviation's success story, diversified business conglomerate ITC, with ₹3,778 crore net cash, has also done well. ITC's flagship cigarette business has been facing societal challenges for a long time. So, the company diversified into hospitality and fast-moving consumer goods (FMCG). But it also preserved cash, which is almost equivalent to its employee cost for one year. In contrast, most domestic infrastructure and manufacturing companies such as Tata Steel, Reliance Industries, JSW Steel, Vodafone Idea and Tata Motors are burdened with heavy debt.

So, it boils down to cash flows and reserve positions. Since cash flows have reduced, servicing loans will become tougher. To counter this, companies will have to drastically slash expenses — raw material costs and salary and fuel bills. The high debt companies will have to suspend expansion, acquisition and diversification plans. Industry leaders are now asking banks to restructure sector-specific loans, especially those hit hard by Covid-19.

Tata Steel had a consolidated debt of ₹1.1 lakh crore, and financing cost of ₹7,660 crore, in FY20. The situation at another Tata group company, Tata Motors, is different since it has an auto financing subsidiary under its fold which accounts for a large portion of the debt. The struggling automobile company has a consolidated debt of ₹1.29 lakh crore.

Reliance Industries Ltd (RIL) is in huge debt, but has enough cash and cash equivalent. Its consolidated debt is around ₹3.06 lakh crore, while cash and cash equivalents are around ₹1.54 lakh crore. It reported a cash flow of over ₹90,000 crore in FY20. JSW Steel has ₹50,000 crore debt, while Vodafone Idea has ₹1.16 lakh crore.

Usually, multinationals are better in conserving cash, says the managing director of an investment firm. "They experience regional business casualties often, which forces them to instruct subsidiaries to follow strict financial standards across geographies," he adds.



Swiss multinational LafargeHolcim's group company ACC has a net cash of ₹4,647 crore. ACC's employee cost was ₹633 crore for nine months of CY19, while interest cost was ₹57 crore. But another group firm Ambuja reported employee cost of ₹1,160 crore and interest outgo of ₹116 crore during the period. The Indian arms of the two German engineering giants — Siemens and Bosch — are also keen on preserving liquidity. Siemens has ₹5,001 crore net cash on its books, while Bosch has ₹1,715 crore. Both have zero debt.

Other players with reasonable net cash for immediate survival include Eicher Motors, Whirlpool Of India, Havells India, GlaxoSmithKline Pharmaceuticals and Bata India. Siddhartha Lal's passion to turn around Royal Enfield in the 15 years is still driving the fundamentals of Eicher Motors, which has a net cash of ₹2,802 crore. In April-December 2019, salaries and interest costs added up to ₹600 crore.

Raising capital for meeting fixed costs may be difficult now. Companies are aggressively announcing fund-raising plans as interest rates have become lower. Tata Sons, the holding company of the Tata group, is in talks with global banks to arrange a $1 billion revolving credit facility or RCF — a type of loan that provides the borrower the flexibility to withdraw, repay and withdraw again — to recapitalise some of its key businesses in Europe, including Tata Steel Europe and Jaguar Land Rover. Separately, Tata Steel has approved allotment of non-convertible debentures (NCDs) worth ₹510 crore on a private placement basis. Auto major Mahindra & Mahindra (M&M) has raised ₹1,000 crore through NCDs. The board of Kotak Mahindra Bank has approved a share sale to raise over ₹7,000 crore. Pilani Investment & Industries, the holding company of some of Aditya Birla group firms, is raising ₹ 1,000 crore by issuing commercial papers. Reliance Industries has mopped up ₹8,500 crore from the sale of NCDs. The company's board has given an approval for raising up to ₹25,000 crore.

Since January, when Covid-19 reared its ugly head, most companies have seen their share prices fall by 20-25 per cent. Very few have managed to escape the bloodbath. One example is electronics major Havells, which fell just 7.8 per cent till April 15. TCS and Infosys fell a little less than 20 per cent, when the benchmark Sensex fell 25.7 per cent. Between mid-February and March 23, the Sensex plunged 37 per cent. It has, however, started recovering since then. BT

@nevinjl

Burning a Hole

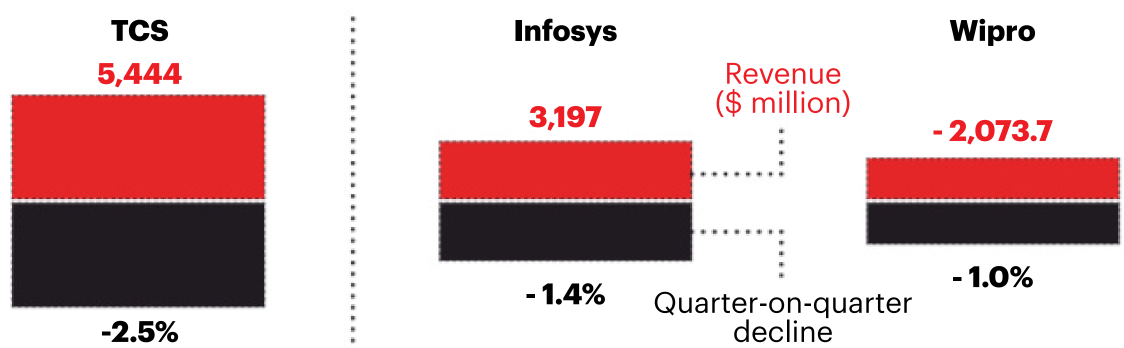
Revenue impact of Covid-19 ($million) in Jan-March quarter

30-35
Cognizant

30-32
Infosys

11-16
Wipro

The Q4 Scorecard



The Not So Happy Face of IT

Information technology majors are in the middle of a crisis like no other. With fear of muted-to-negative growth in FY21 due to the Covid-19 impact, they are pulling all stops to soften the blow

BY RUKMINI RAO
ILLUSTRATION BY RAJ VERMA

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ccenture Plc, a company with $43 billion in revenue and over 5,00,000 employees across the world, lowered its FY20 annual revenue guidance in March to 3-6 per cent from 6-8 per cent earlier, despite record order bookings of $14.2 billion in the second quarter (it follows the September-August calendar). The assessment of one of the world's largest tech companies of the impact of Covid-19 was an early indication of things to come. The prognosis was not far off the mark.

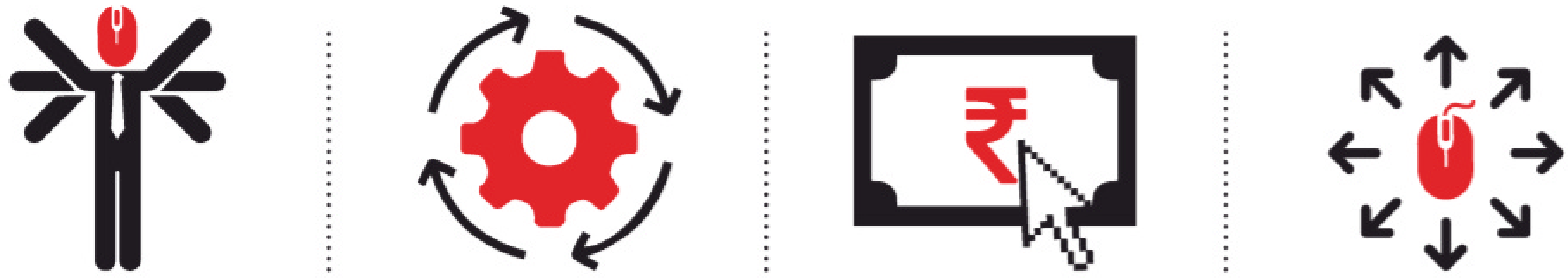
The Crisis And The Fallout

In the middle of March, the coronavirus death toll in the US was still below 400. Around the same time, even though infections in India were below 500, Centre decided to impose a nationwide lockdown to contain the spread of the pandemic. The domestic IT-BPM (business process management) industry, with 55 per cent share of the global outsourcing market, was forced to implement business continuity plans on a war footing, at a scale like never before, and that too within a few days.

By then, the biggest names in the industry had started showing signs of extraordinary stress. Just a couple of weeks after Accenture lowered its guidance, Cognizant became the first company to withdraw its annual guidance of 2-4 per cent growth for 2020. CEO Brian Humphries said even though the company had a strong start to the first quarter (it follows the January-December calendar), it was in March that macro challenges owing to Covid-19 got more pronounced. "Over the last few weeks, we have seen everything, from incremental opportunities that were not expected to the other extreme of project deferrals, request for furloughs (involuntary leave, either paid or unpaid, due to economic conditions), temporary rate concessions, deferred payment terms, and I don't think anybody can reliably predict how long this macroeconomic environment will persist," he added.

Among the homegrown IT companies, Bengaluru-headquartered Wipro was the first to announce its financial results for FY20. It said that the pandemic shaved off $14-16 million, or 0.7-0.8 per cent, in revenues in just a couple of weeks in the fourth quarter (Q4). Also, for the first time since its listing on the New York Stock Exchange in 2000, the company refrained from providing quarterly guidance due to the lack of visibility in disruption to its operations. "In March, as the Covid health crisis rapidly deteriorated in key markets like the US, Europe, the UK,

What Covid-19 Will Change



Flexible workforce model, agile employees

More automation, future technologies to be at the forefront

Cost optimisation measures to be done for the long haul

Distributed delivery models (teams working from all across) will be in focus

and there was a lockdown in India, we clearly saw an accelerated impact to our business," Abid Neemuchwala, CEO, Wipro, said during the results announcement. "Given the uncertainty in the environment, and inability to predict the course of the health crisis, we have decided to temporarily suspend our practice of providing quarterly guidance," he added.

Next was the country's largest software services exporter, Tata Consultancy Services (TCS), which reported its slowest annual revenue growth, a number similar to 2009/10, in a stark reminder of the global financial crisis. "The pandemic has introduced an unprecedented level of uncertainty in an already unstable global economy. All major economies have virtually ground to a halt. It is difficult to predict when and how the recovery might commence," CEO Rajesh Gopinathan said during the earnings call.

Infosys took an estimated hit of $30-$32 million in the fourth quarter due to the crisis and decided to deviate from its tradition of giving revenue guidance. "Given the uncertain environment with the global pandemic and planned business being marred by volatility, we do not feel it will be appropriate for us to provide guidance for this financial year," said Salil Parekh, CEO, Infosys, while announcing the Q4 numbers.

Industry body Nasscom, which pegged the IT services sector's revenue growth at 6-7 per cent to $97 billion, said it has still not assessed the impact of the pandemic. "Business for the tech industry will be impacted through demand-side shifts as opposed to any supply-side challenges," says Sangeeta Gupta, Senior Vice-President, Nasscom. "With reduced revenue and higher costs, companies can carry extra employees for a short while after which they may look at certain tough measures such as job and cost rationalisation and discretionary spends, so that the industry can continue to function without excessive financial burden," she adds.

According to IDC India, the full-blown impact in the India market will be evident by the middle of 2020. In its report, 'Covid-19 Impact: A Mix of Challenges and Opportunities for IT Vendors in India', Sharath Srinivasamurthy, Research Director, Enterprise Solutions and ICT (Information and Communications Technology) Practices, said: "We expect a slowdown in terms of discretionary IT spending, contract renewals and new deals getting signed as enterprises recalibrate cost structure in the coming months. Existing project executions have also taken a hit due to travel restrictions."

According to analysts, IT services companies could see their dollar revenues decline by 4-10 per cent in FY21. Nomura, in its research note on TCS, said: "We build a 4 per cent decline in USD revenues in FY21F, as we expect IT budgets to decline 5-10 per cent. However, we expect normalisation in FY22." With global IT budgets expected to decline by 5-10 per cent owing to the crisis, Nomura has said it estimates that Wipro's revenues will take a 9-10 per cent hit over FY21-22 due to the changed demand scenario. In its note on Infosys, HDFC Securities said it had factored in a dollar revenue decline of 2-5 per cent for FY21. Edelweiss Research said: "The current scenario clouds earnings visibility for all companies under our coverage, and we are cutting the target multiple by a modest 10 per cent from 20x to 18x for Infosys".

Survival Guide

The companies have gone all out to mitigate the downside risks of the current crisis. TCS, for instance, had significantly off-shored work during the global financial crisis. This time, the focus is different. "The focus will be to actually get demand back, and to maintain the cost structure in a manner in which we are able to get to that," CEO Gopinathan had said during the earnings call.

Infosys, which announced a freeze on hiring and salary hikes, would continue to look at the entire gamut of other cost levers. "Our ongoing strategic cost optimisation levers around automation, pyramid rationalisation, on-site, offshore subcontractors will, of course, continue as in the earlier years," says Chief Financial Officer Nilanjan Roy. Wipro said it would go all out on controlling costs.

Two Mumbai-based analysts who did not wish to be named said the writing on the wall was clear -- that FY21 would be an aberration year for Indian IT companies in spite of closing strong order books. They also warned that the next quarter would be crucial to watch out for, to determine if revenue growth would hit the negative territory or not.

Beginning Of Change

IT companies' workforce will now be seen from a different lens and the way business is conducted could change forever. "We see three key trends emerging – a digitally enabled workforce; ability to work without outside physical offices; and focus on technologies of the future (intelligent automation, machine learning, artificial intelligence, cyber security, analytics)," says Satya Easwaran, Partner and Leader, Technology, Media and Telecom, KPMG in India.

Over 90 per cent and in some cases around 95 per cent employees of IT services companies across the globe are currently working from home, an option never exercised at this scale till now by any company. In what can perhaps be an edge over other players for TCS, the execution of over 15,000 projects for 912 customers through new Location Independent Agile model or Secure Borderless Workspaces model in FY20 is bringing in some key learnings. "This is our new operating model and represents the future of work. It helps our employees enjoy a better quality of life, and helps organisations become more resilient, because the fully distributed nature of this model is inherently less risky and better suited for business continuity and agility," CEO Gopinathan said.

"The pandemic has introduced an unprecedented level of uncertainty in an already unstable global economy. All major economies have virtually ground to a halt. And it is difficult to predict when and how the recovery might commence"

Rajesh Gopinathan
CEO & MD, TCS

"Over the last few weeks, we have seen everything, from incremental opportunities that were not expected to the other extreme of project deferrals, request for furloughs, temporary rate concessions, deferred payment terms, and I don't think anybody can reliably predict how long this will persist"

Brian Humphries
CEO, Cognizant

Pravin Rao, Chief Operating Officer, Infosys, said the new, agile workforce would be a positive outcome of the crisis. "But whether eventually the new normal means 20 per cent office and 80 per cent home, or whatever, I think only time will tell," he added. For companies, an agile workforce also brings in opportunities to further the cost-optimisation drive through virtual meetings and reduced capital expenditure for infrastructure and creation of new development centres and several other costs in running huge campuses.

Siddharth (Sid) Pai, Founder, Siana Capital and former President and Chief Strategy Officer of ISG Inc, thinks client spending will be under the microscope as businesses around the world retune themselves in a post–Covid market. "From a global demand standpoint, I think there is going to be a lot more scrutiny of what spend is discretionary, what is necessary, and what is nice to have," he says.

Industry experts see a silver lining in the crisis as companies look to invest more in automation, cyber security and digital interventions to operate in a post-coronavirus world. Deloitte, in a report, said even as challenges encountered in the immediate term would stabilise, "Due to enhanced remote work scenarios and extensive stack requirements, IT departments are expected to play a larger role in future business continuity plans, and will need help from service providers in procuring devices, setting up resilient, flexible and secure network, disaster recovery systems, IT security, etc."

Adds Nasscom's Gupta: "The crisis has forced businesses to re-imagine the future. We are optimistic that when we finally emerge from all of this, we would have leveraged technology in thousands of ways that may not have been conceivable earlier." BT

@rukminirao

COVER STORY

BANKS/NBFCs

The Booby Trap

Coronavirus lockdown has created multiple landmines in the financial services sector. **This is how banks and NBFCs are preparing for life post-coronavirus**

BY ANAND ADHIKARI
ILLUSTRATION BY RAJ VERMA

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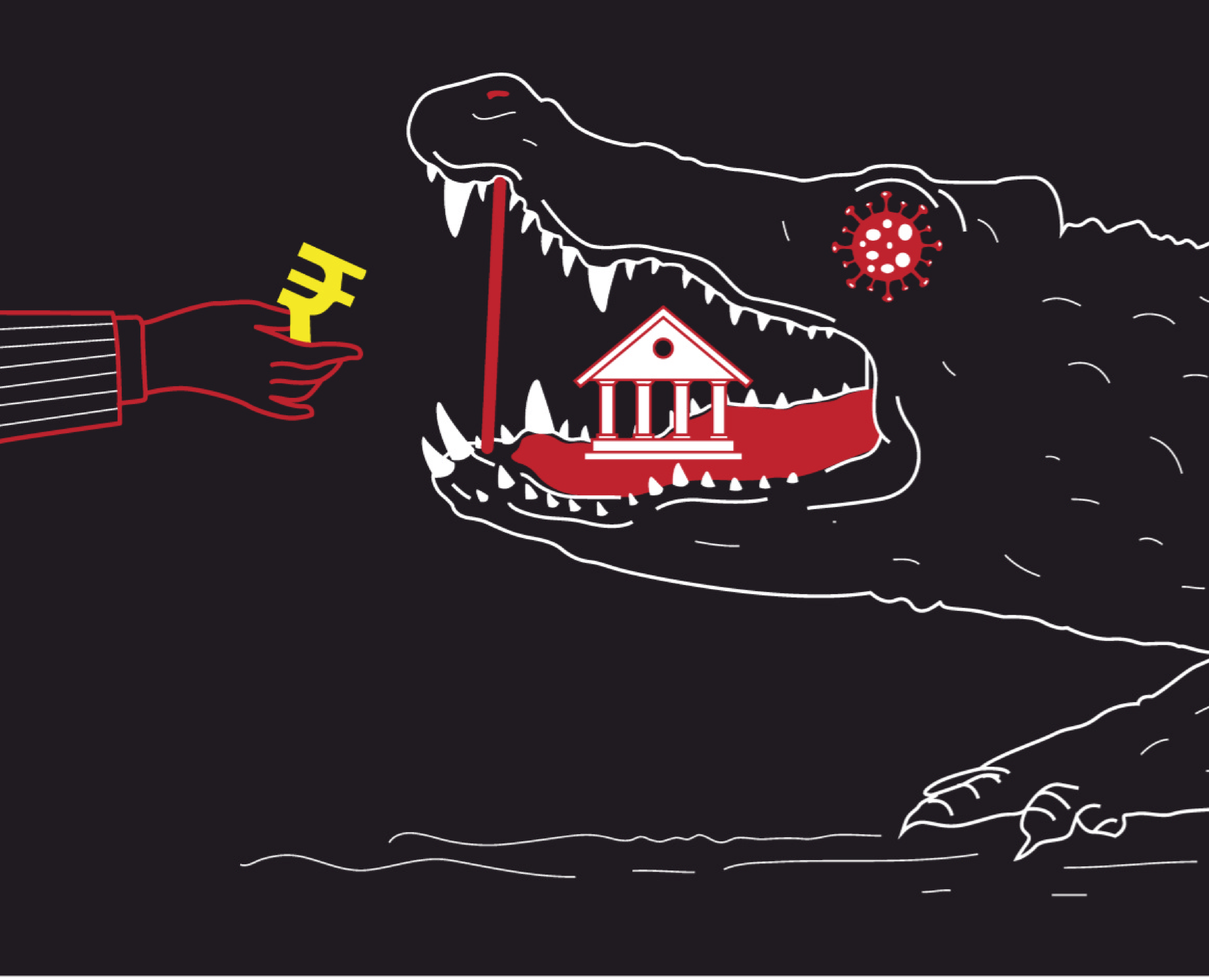
xecutives at HDFC Bank's headquarters in Mumbai were in for a surprise when they saw a large number of applications for availing the three-month moratorium announced by the Reserve Bank of India (RBI) to mitigate the impact of Covid-19. Most of the applications were from retail borrowers, who constitute more than half of the bank's loan book. A quick survey revealed that most borrowers were taking the moratorium out of caution and not due to financial stress.

Not very far away in Pune, the senior management team of Bajaj Finance, one of the country's largest non-banking financial companies (NBFCs), were working on three likely scenarios – in case the lockdown extends to 21 days, 41 days and 49 days, respectively – to lessen the impact of Covid-19 on its business and formulate a strategy to conserve capital, going forward. The NBFC, which has a large portfolio of consumer durables and auto loans, expects business as usual only by the fourth quarter of 2021/22, especially if the lockdown extends to 49 days, till May 15. "The company will be forced to take a harder view on operational expenses and explore a 12-15 per cent cut against the current 7-8 per cent," warned Rajeev Jain, Managing Director of Bajaj Finance, in an investor call earlier this month.

Clearly, the financial services industry, with an asset size of ₹190 lakh crore, is approaching the coronavirus crisis in a clinical way to protect its balance sheet. Banks and NBFCs are conducting extensive in-house data analysis of moratorium seekers, especially in the MSME segment and for unsecured loans, including personal loans and credit cards."Risk departments are the most active now to build scenarios based on the likely behaviour of various sectors and customer segments," says Padmaja Chunduru, MD and CEO, Indian Bank. According to a rough study done by *Business Today*, loans worth over ₹35 lakh crore would be under some sort of direct stress because of Covid-19. However, a number of banking professionals told *BT* that no loan is actually safe.



Banks' Strategy 2020

Focus on collections, reaching out to customers & monitoring credit bureau data

Review of collaterals and guarantees in Covid-hit loan segments

Caution while increasing exposure to weak micro enterprises without any government or RBI guarantee

No increase in exposure to NBFCs whose business model is built around unsecured loans

Accelerated provisioning for potential NPAs

Cut in deposit rates as liquidity will be surplus

Purchase of good asset portfolios from NBFCs, especially mortgages, including affordable housing

Recapitalisation to prepare for shocks

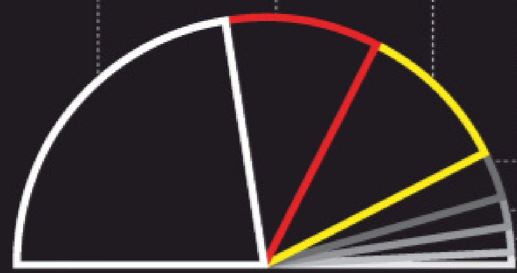
"Which industry or sector is not impacted by coronavirus?," asks Sidharth Rath, Managing Director and CEO, SBM Bank (India).

So, the immediate focus of banks and NBFCs is to identify vulnerable assets (loans), build default probabilities, ready a collection machinery, make aggressive provisioning from profits, create liquidity buffers to meet redemptions, conserve capital and explore capital-raising options. State Bank of India (SBI) Chairman Rajnish Kumar even had an advice for businesses – avoid short-term borrowings. "It is advisable to go for a deeper restructuring because if people borrow for short term and are unable to repay on time, it will spoil their credit history," Kumar told entrepreneurs during a Zoom meeting.

While the banking sector's biggest worry is on the asset side (loans and advances), NBFCs, for the first time, are staring at a two-front war on both liabilities

Banks' Weak Spots

40% of the **₹89.80 lakh crore** bank credit is estimated to face stress. The break-up of stressed sectors



Micro and small includes priority sector; Figures as on Feb 28, 2020; Source: RBI

NBFCs' Ticking Bomb

One-fifth of the **₹23.54 lakh crore** loan exposure is highly risky

₹18.51 lakh crore Secured loans

₹5.02 lakh crore Unsecured loans

Data for September 2019; Source: RBI

How to Bridge the NBFC Liquidity Gap

Extension of term loan moratorium to NBFCs as bankers are not providing support

Rollover facility on debentures and CPs

A separate liquidity window from RBI to raise resources for temporary mismatches

Credit guarantee to banks to buy NBFC portfolios

Extension of NPA classification norms, relief in maintaining minimum capital

(funding side) as well as assets. Post the IL&FS debacle, NBFCs, which are one-fifth of the banking sector in terms of assets, faced only liquidity issues, while their assets or loan books remained largely untouched, barring a few exceptions.

NBFCs will now have to build liquidity buffers to prepare for a worst-case scenario of higher delinquencies because of non-salaried customers (at a time when layoffs are increasing by the day) and also keep enough liquidity to meet loan prepayment obligations, especially to commercial paper and debenture holders. In fact, there is unlikely to be a 100 per cent exit from the lockdown, and the business impact would easily last six to nine months.

"We are in an uncharted territory," says the CEO of a public sector bank. There are no past precedents to refer to and learn from. So clearly, the level of impact would only be known once there is a finality on the reach, the extent of damage and the duration of the Covid-19 impact. The casualty would be the Indian economy, which could take months to get back on track.

"Sitting today it would be very difficult to make a prognosis of the future situation," adds Krishnan Sitaraman, Senior Director, CRISIL Ratings.

₹15
LAKH CRORE
The amount of loan banks have given to the MSME sector

WEAK ASSETS: The Diagnosis and the Prescriptions

According to Sameer Narang, Chief Economist, Bank of Baroda, a large number of micro, small and medium enterprises (MSMEs) and corporate borrowers are availing moratorium. "It is natural because their revenues have slumped, but they still have fixed expenses to pay," he says.

A Mumbai-based large public sector bank is pooling in resources to track the past behaviour of moratorium seekers in stressed accounts with less than 90 days of default (also referred to as special mention accounts or SMAs in banking parlance).

"Banks are doing stress tests industry by industry. The impact on the airline or the hospitality sector, for example, will be more severe than retail or FMCG," says Rath of SBM Bank. Half of the banks retail customers are opting for moratorium.

At present, one-fifth of the banking industry's assets are parked in the retail space. "Nearly, 60 per cent of our customers in the affordable housing segment have paid their EMIs," says Ajay Kanwal, MD and CEO, Jana Small Finance Bank.

But the problem could come from the unsecured loan segment, where loans have gone to self-employed

Saving New-age NBFCs and Fintechs

Founders of new-age NBFCs and fintech lending platforms are mostly professionals with limited capital. In a post-Covid world, banks have turned their back on them. The public market borrowing window is not available to them as they are too small to get any interest from investors. That leaves them with private equity players and venture capitalists that have backed them. "But they are, too, return-oriented," says the founder of a fintech firm.

So, will these lenders to underbanked and underserved segments survive or perish?

"Every past crisis (The microfinance crisis in Andhra Pradesh or the financial crisis of 2008) has shown that a small or micro customer always fights back and comes out of the crisis. But bankers react by withdrawing credit since they turn risk-averse," says Manish Khera, Founder & CEO, Happy Money – a lending Fintech firm.

According to Pramod Bhasin, Chairman of online lending platform Clix Capital, this is the time for bolder action, particularly opening up special credit lines and insurance for companies. Banks do not offer any moratorium to fintech firms and NBFCs, and these firms have no option but to accommodate their 'micro' customers in stressful times. "Books of fintech firms are very small with exposure to gig workers, the self-employed panwallah or the tea seller. Any exposure to them means an exposure in the unsecured space," says a consultant.

Such a situation is likely to lead to asset-liability mismatch. Prolonged lockdown and job losses would increase the delinquencies in asset portfolios. Shachindra Nath, Executive Chairman and Managing Director, U GRO Capital, says most vulnerable players are early-stage fintech firms and small-sized niche NBFCs. "We are reaching out to every platform that is value-accretive to us," he adds, hinting at consolidation opportunity.

Fintech firms are addressing the crisis by offering moratorium to borrowers and monitoring portfolios. They are also trying to reach out to banks and investors, even at a cost of paying a higher interest. "You have to be emphatic to them (customers) and extend help in these difficult times," says Nalin Agrawal, Co-founder and CEO, Snapmint – an e-commerce and fintech start-up.

and other classes without any collateral. At present, the outstanding loan in the unsecured bucket is over ₹8 lakh crore.

Banks are also studying possible scenarios over the likely payment behaviour of individuals and corporates post moratorium. There is a tendency of customers to default on a personal loan or a credit card outstanding than a home loan. In addition, this is typically the time when school fees, insurance premiums and tax payments are due, and people will set aside funds. Bankers are also focussing on collection through customer analysis of Covid-impacted geographies, including Maharashtra, Kerala, Uttar Pradesh and Rajasthan. For microfinance institutions (MFIs), the task is more difficult because their collections are mostly in cash and also door-to-door, which makes it more challenging. "We are readying our staff with a focus on hygiene and social distancing when they go out to meet customers tomorrow," says an MFI player.

Banks are also reaching out to customers via phone to find out the issues they are facing. Will all be able to pay the fourth instalment after the three-month moratorium?

In a note, Emkay Broking has said the deferment of EMIs disturbs the basic financial discipline of repayments, which will eventually be relatively difficult to normalise. While banks have time and again communicated to customers that this is not a waiver, but only a deferment, some are still not clear about the concept of moratorium.

Banks' MSME loan portfolio alone is around ₹15 lakh crore. Also, auto loans to gig workers, logistics players and Ola and Uber driver carry a higher risk of default since many have gone back to their home towns, while others are jobless.

Then there are trends that are peculiar to the MSME sector, like delayed payments from large corporates. "Large companies may have to scale down production. Cash flow disruptions will lead to delayed payments to MSMEs, triggering credit defaults and permanent business closures of highly leveraged MSMEs," says Arun Singh, Chief Economist, Dun & Bradstreet.

Bankers are also evaluating the value of collaterals furnished by MSMEs, which is generally in the nature of loan against property. According to a JM Financial report, MSMEs constitute 10 to 20 per cent of the overall loan book of large private banks, while it is 24 to 50 per cent for smaller banks.

A higher provisioning for most of these affected sectors can also help banks avoid "future shocks". The RBI has already directed banks to make an additional provisioning of 10 per cent for two quarters for stressed accounts availing moratorium facility. "Provisioning requirements for banks can increase by ₹30,000-40,000 crore because of stressed accounts under moratorium," says Karthik Srinivasan, Senior Vice President at rating agency ICRA. In addition, there are a number of cases stuck under the Insolvency & Bankruptcy Code (IBC), where there will be need for higher provisioning – from 50 per cent to 100 per cent – in case the company went into liquidation. Globally, Bank of America, Citigroup and Goldman Sachs have set aside billions of dollars for possible losses.

"There is a need for bringing back the debt restructuring schemes with NPA forebearence," says Chunduru of Indian Bank. Currently, banks can restructure loan accounts, but they will still be classified as non-performing assets (NPAs). NBFCs have asked the RBI for a one-time restructuring option without classifying loans as NPAs. Banks should be incentivised to support borrowers by way of guarantees, assured buy-back or credit enhancement in infrastructure projects.

2.75 PER CENT

The deposit rate now, given by some banks, is a historic low percentage per annum

₹25,000 CRORE

The amount RBI plans to provide to the small and medium MFIs through NABARD

LIQUIDITY: NBFCs Gasping, Banks Flush with Funds

Banks and NBFCs are on two extreme ends in terms of liquidity. Banks are flush with funds and do not have enough options to lend it profitably. Some have cut deposit rates like SBI, for example, which reduced its savings rate to a historic low of 2.75 per cent per annum. Banks are resetting their fixed deposit rates downwards. Faced with low credit growth and risk aversion at this juncture, a large amount of liquidity is flowing back from banks to the RBI under the reverse repo window. Meanwhile, the deposit space vacated by large banks is offering a good opportunity to small finance banks and new private lenders like IDFC First Bank and Bandhan Bank to continue their premium pricing of deposits rates as their business model of high-yielding loan assets allows them a good interest margin. "We have seen some slowdown in deposit momentum post the Yes Bank fiasco. I would say getting the whole deposit momentum back will be our top priority," says Kanwal of Jana Small Finance Bank.

NBFCs are gasping for liquidity since they depend mostly on wholesale funding from banks, commercial papers (CPs) and non-convertible debentures (NCDs). They currently net around ₹2 lakh crore from these two instruments. Banks, with around ₹7 lakh crore in exposure to NBFCs, are in no mood to increase their exposure. There is also no moratorium offered by banks to NBFCs on these loans. This is adding to their problems. Also, the RBI's move to provide ₹25,000 crore through the National Bank for Agriculture and Rural Development (NABARD) to small and medium MFIs will be of some help, but they will still need money as CPs and debenture holders won't offer them a rollover. In the last one year, especially after the IL&FS debacle, risk-averse MFs have already reduced their exposure in CPs and NCDs of NBFCs. A CRISIL analysis of NBFCs, rated by them, shows liquidity pressure will increase for nearly a quarter of them if collections do not pick by June 2020. "These NBFCs have ₹1.75 lakh crore of debt obligation maturing by then," according to CRISIL.

NBFCs are demanding a direct low-cost borrowing window from the RBI for up to a year, but the regulator is yet to take a decision. In fact, they are also exploring the securitisation route to sell assets, especially MFI portfolio, and generate liquidity. Some banks, especially private ones, are keen on MFI loan portfolios since such loans are part of priority sector lending.

CAPITAL: Conserve and Raise

Unlike the 2008 global financial crisis when the government and regulator came forward to bail out banks, this time the Centre is fighting this pandemic by using the already vulnerable banking system to help the industry, by postponing EMI collections. The RBI has asked banks to suspend dividend payments to shareholders to conserve banks' capital. But lenders will need a stronger capital position to face any eventuality. Kotak Bank is tapping the market with an equity issue. Many banks may not be that lucky since the market capitalisation of banks have fallen considerably in the last two months. One way would be to raise debt capital from institutions. Public sector banks, which control two-thirds of the banking system, may also need recapitalisation.

There are also other ways to conserve capital. "You have to lend to high-rated borrowers so that risk-weighted assets come down," says Chunduru of Indian Bank.

"Banks will also have to change their operating models like outsourcing, using shared services, not buying but renting out, etc.," suggests Rath of SBM Bank. BT

@anandadhikari

Funding Disaster Relief

W

ith over 4,200 positive cases and 220 deaths – numbers that are only increasing day by day – and revenue expected to take a massive hit due to the 40-day lockdown, Maharashtra, the worst-affected state in the Covid-19 pandemic, is in desperate need of funds for testing, lab equipment, quarantining and other relief work.

It is not alone.

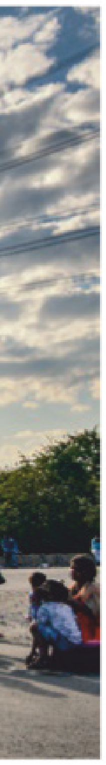
States across the country will need to be handheld in terms of funds, with resources pooled in from across Central and state ministries to help tackle a pandemic of this proportion. The question then is, are there dedicated funds to address the situation?

The Options Available

The focus currently is on the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund), a new trust constituted by Prime Minister Narendra Modi to mobilise resources through donations to fight the coronavirus outbreak. However, the Centre and states already have a separate fund – not dependent on donations but budgetary allocations – for relief and rehabilitation work in case of a disaster. The fund has two parts – the State Disaster Response Fund (SDRF) and the National Disaster Response Fund (NDRF). Together, they have a size of ₹32,000 crore, of which close to ₹29,000 crore is with states under SDRF.

Despite all the brouhaha around PM CARES Fund, **it is states that are at the forefront of funding disaster relief and rehabilitation**

BY DIPAK MONDAL



PHOTOGRAPHS BY CHANDRADEEP KUMAR

What It's All About

The responsibility of disaster risk financing is shared between Centre and states

The primary responsibility lies with states. Centre provides financial, technical assistance whenever necessary

State governments incur most disaster-related expenditure through State Disaster Response Funds

The allocation to SDRFs is decided by the Finance Commission; Centre contributes 75 per cent

While SDRFs comprise the bulk of the fund allotted by the Centre for disaster management, donation-based funds such as the Prime Minister's National Relief Fund and the Chief Minister's Relief Fund are other sources.

Take the example of Maharashtra. The state is staring at a serious fund crunch – Goods and Services Tax (GST) collection has already plunged by ₹27,000 crore in March itself, and State Home and Finance Minister Ajit Pawar has written to Prime Minister Modi, demanding a Central grant of ₹10,000 crore a month for the next five months.

Maharashtra received around ₹1,611 crore, the first instalment of the Centre's share of the SDRF, on April 3. Besides, it has made a provision of ₹10,744 crore for expenses towards natural calamities, a part of which can now be used to fight the coronavirus outbreak. Apart from that, in the last two months, the Maharashtra Chief Minister's Relief Fund has received donations worth ₹200 crore.

SDRFs and NDRF: Responding to Disasters

So, in India, states and the Centre share the responsibility of disaster risk financing, with states playing the main role in responding to such situations through relief, rehab and reconstruction work, and the Centre providing support in the form of additional funding and assistance. State governments bear most of the disaster-related expenses through SDRFs, and these funds are "augmented and replenished" through NDRF.

The allocation to SDRFs is decided by the Finance Commission, and the contribution is made by the Centre and states in a 75:25 ratio. For hilly areas, the Central government's contribution is 90 per cent. The allocation to SDRFs depend on factors, including expenditures incurred by states on disaster management, and area, population and risk profile of individual states.

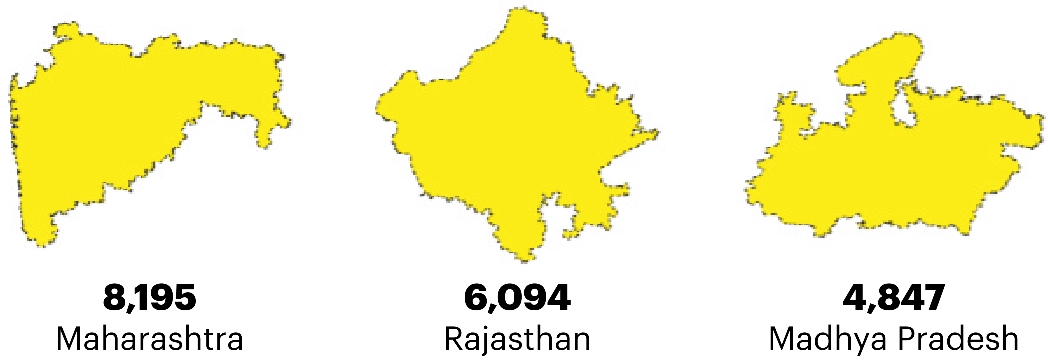
The total allocation to SDRFs is ₹28,983 crore for 2020/21, according to the 15th Finance Commission, of which the Centre's share is ₹22,184 crore. The Centre's share of SDRFs comes from home and finance ministries as part of their Budget allocations under the head – Relief on Account of Natural Calamity.

The NDRF draws a part of its fund through direct transfer of the National Calamity Contingent Duty (NCCD) levied by the Centre on certain goods such as tobacco, tobacco products and petroleum products. In 2020/21, the government has budgeted ₹2,930 for transfer to the NDRF through the NCCD.

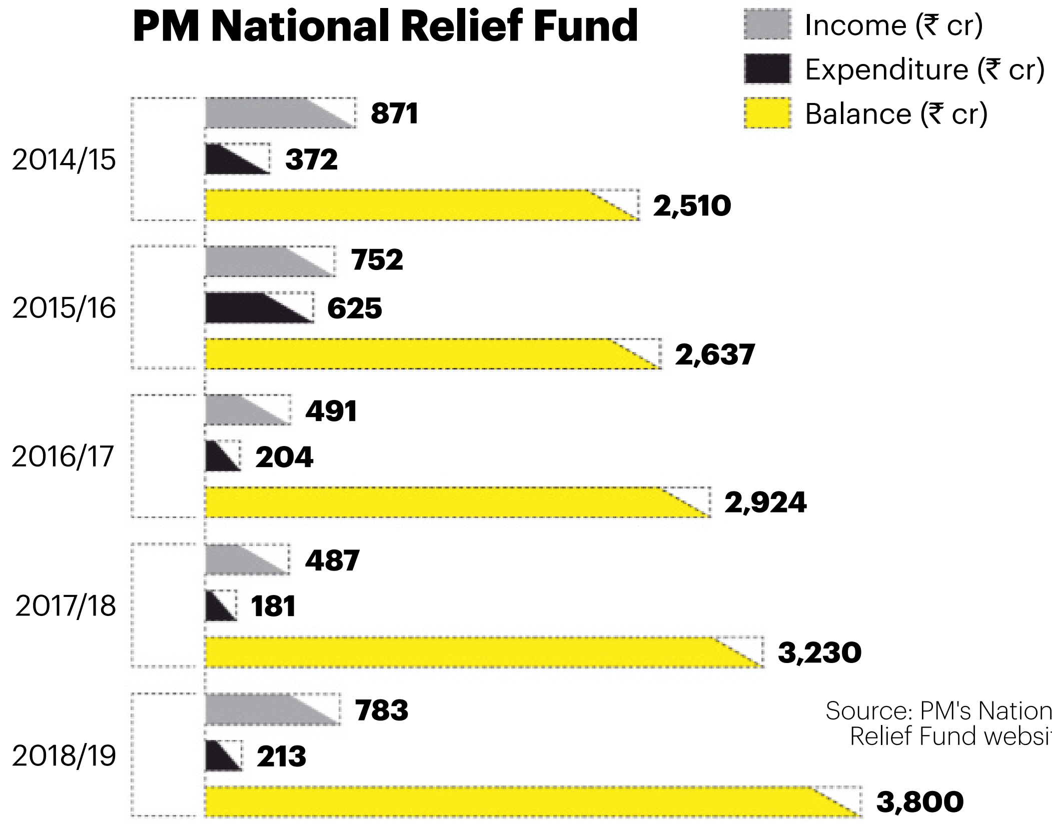
"Whether a disaster happens or not, this money is always available with state governments to combat a possible crisis," says GVV Sarma, Member Secretary, National Disaster Management Authority (NDMA), the nodal agency that coordinates with State Disaster Management Authorities and develops a strategy for

State-wise Allocation to SDRFs (2015-20)

Allocation (₹ crore)



PM National Relief Fund



Source: PM's National Relief Fund website

prevention of disasters.

Sarma told *Business Today* that the home ministry has already asked for a part of SDRFs to be utilised for coronavirus-related works. It has also relaxed certain restrictions on the use of SDRFs, including the criterion of using 40 per cent funds for response and relief work, 30 per cent on recovery and reconstruction and 10 per cent on preparedness and capacity building. Also, the first instalment of the Centre's share of SDRFs – ₹11,092 crore – for 2020/21 is being released earlier due to the coronavirus outbreak. The Centre normally releases its contribution in two instalments.

Explains Sarma of NDMA: "If a calamity or a disaster of a very big nature happens, state governments normally prepare a memorandum and send it to Central government. The Centre will send an inter-ministerial panel chaired by the home secretary to the affected state, which will then give its recommendations. After this, another committee is formed under the home minister, which will make recommendations for further allocations (to states) through the NDRF. In case of Covid-19, we have not come to that stage yet."

Donations to Relief Funds

The PM National Relief Fund (PMNRF) as well as the CM Relief Funds are public charitable trusts governed by the Public Trust Act of states and the Indian Trusts Act, 1882. Most CM Relief Funds are governed by state trust acts. The Maharashtra CM's Relief Fund, for example, is governed by the Bombay Public Trust Act, 1950.

According to its website, the resources of the PMNRF are utilised primarily for offering immediate relief to families of those killed in natural calamities such as floods, cyclones and earthquakes, and to victims of major accidents and riots. In the last five years, the PMNRF has received annual donations to the tune of ₹450-900 crore, and incurred annual expenses of ₹250-600 crore. The excess fund is invested in bonds and fixed deposits (FDs). The PMNRF had a balance of ₹3,800 crore at the end of March 2019.

Due to the severity of the coronavirus outbreak, the Centre constituted the PM CARES Fund. It has been set up as a public charitable trust, which will receive donations from the public as well as institutions, and the money will be used only to fight the coronavirus pandemic.

While many have questioned the need for an exclusive fund for coronavirus despite the existence of the PMNRF, Gyaneshwar Kumar Singh, Joint Secretary, Ministry of Corporate Affairs, says the new fund was created since there were several representations for an exclusive fund (to fight Covid-19).

The criticism surrounding the PM CARES Fund is primarily because the government is yet to come out with any details about the fund, except that it has been set up as a public charitable trust, and the prime minister is the chairman of the trust with the defence, home and finance ministers as members.

Besides, its similarities with the PMNRF – both have been constituted as charitable trusts and through an Act of Parliament, both have the Prime Minister as the chairman of the trusts, donations to both are eligible for tax exemptions and their corporate social responsibil-

4,130 Odisha | **3,894** Gujarat | **3,751** Tamil Nadu | **3,729** Uttar Pradesh | **2,853** West Bengal | **2,591** Bihar | **2,541** Assam

Map not to scale   Source: Home Ministry

ity (CSR) status – makes it, according to a number of people, only a clone of the PMNRF.

Preeti Malhotra, who is currently chairing the ASSOCHAM National Council on corporate affairs, corporate governance and CSR, says there was no need for a separate trust, and a separate fund for coronavirus could have been created within the PMNRF.

In fact, there are different heads under some CM Relief Funds. The Maharashtra CM's Relief Fund, for example, collects funds for specific purposes, including coronavirus, Jalyukta Shivar, Farmers Fund, Drought Fund, etc. Even the Kerala CM Distress Relief Fund asks for donations under different heads such as Covid-19, floods, etc.

However, some find the criticism unfounded. "Coronavirus has impacted people across the country, and the PM CARES Fund attaches a cause to it. Everyone is feeling for this cause. An earthquake in Andaman or a storm in Odisha is not something for which people would have the same level of concern as that of a pan-India disaster like coronavirus. Hence, a separate fund for relief measures makes perfect sense," says Mohit Chaudhary, a Supreme Court lawyer and managing partner of law firm Kings and Alliance.

Helping Hand from Global Agencies

International agencies, including the World Bank and the Asian Development Bank (ADB), also provide support in case of a calamity or disaster of severe nature. Both institutions have already extended financial support in the country's fight against the current pandemic.

The World Bank recently approved a $1-billion financial support to help "India prevent, detect, and espond to the Covid-19 pandemic and strengthen its public health preparedness". This, according to the statement issued by the World Bank, is the largest ever health sector support from the lending agency to India. ADB is also preparing a $2.2-billion assistance for the Indian health sector.

"All these multilateral agencies provide additional funds, a part of which also goes to states," says Arindam Guha, Partner, Deloitte.

Sometimes, states themselves also raise funds directly from these global agencies through their respective State Disaster Management Authorities in case of a disaster of a very severe nature. For example, the reconstruction and rehabilitation work after the 2001 Gujarat earthquake was funded by both the World Bank and ADB. The two agencies had together pooled in over $900 million.

According to Guha of Deloitte, states can also explore insurance as part of their overall disaster risk financing strategy, especially in cases where calamities such as cyclones are common.

So, given the severity of natural and man-made calamities and their frequent occurrences, it is only pertinent and prudent to have a robust funding system for disaster management, which does not only depend on donations or debts. A higher allocation to SDRFs, better monitoring of fund use, and exploring newer avenues would make for a fool-proof disaster management financing strategy for any country, including India. BT

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Where the Money Comes from

State Disaster Response Fund (SDRF): Primary source of funding for states in case of a disaster
₹28,983 crore
Combined share (Centre and states) allocated for 2020/21

National Disaster Response Fund (NDRF): Supplements SDRFs during disasters of severe nature, if adequate funds are unavailable

PM National Relief Fund: Depends on donations and corporate social responsibility funding;
₹3,800 crore
Balance as on March 31, 2019

PM CARES Fund: A new public charitable trust created to collect money through donations to fight Covid-19

CM Relief Fund: Like PM National Relief Fund, depends solely on donations

State Disaster Management Authorities: Though not funding authorities, they can act as implementing agencies for CSR activities

Uphill Battle

Staring at record losses, the travel and tourism sector is preparing a plan to take on coronavirus

BY MANU KAUSHIK
ILLUSTRATION BY RAJ VERMA

P**atu Keswani,** the Chairman of Lemon Tree Hotels, recently decided not to take salary for three months. Other senior members of Keswani's A-team (such as vice presidents and managers) also took pay cuts of between 50 per cent and 65 per cent. When *Business Today* spoke to Keswani, his rationale was an eye opener. Just about 15 per cent staff in his hotel chain accounts for half the wage bill. "The key decision at the moment for managements is to take pay cuts instead of firing employees, and look for ways to cut fixed costs. Hotel chains can bring down their wage bill by 30-40 per cent without touching 85 per cent of the staff," he says.

In the large universe of the travel and tourism sector, Lemon Tree is among the bigger names that have been affected by the coronavirus pandemic. As per industry body FAITH (Federation of Associations in Indian Tourism & Hospitality), the travel and tourism sector is staring at losses of nearly ₹5 lakh crore, apart from five crore lay-offs, as a result of coronavirus, though these projections keep changing as the situation evolves.

Most large players are devising strategies – almost on a daily basis – to tide over the crisis. However, the way the crisis is unfolding is so unpredictable that even the best strategies can fail. According to the promoter of a leading hotel chain, it's estimated that nearly 20 per cent travel and tourism companies, mostly in the informal sector, will not survive for more than a year.

So far, travel and tourism companies have resisted laying off employees. Most have announced salary cuts (or furlough in some cases like SpiceJet and GoAir). But the question is: how long can they continue to hang fire, especially since revenues have been badly hit due to global travel bans? Will airlines, hotel companies and travel agencies – the last two being highly unorganised – have to resort to firing employees in case the lockdown is extended repeatedly? Or is there a middle path?

The Balancing Act

Following Prime Minister Narendra Modi's address to the nation on April 14 in which he asked employers to avoid cutting jobs, there have been no instances of layoffs so far except retrenchment of some expat pilots by Nusli Wadia-owned GoAir. Though airlines have started feeling the heat after Aviation Minister Hardeep Singh Puri asked them to discontinue bookings till further notice. There are speculations that domestic bookings may restart in June. This means a long waiting period for airlines.

Meanwhile, the impact of coronavirus has started to unfold on global carriers. For instance, Virgin Australia recently entered bankruptcy proceedings whereas cash-strapped Norwegian Air laid off 4,700 employees. British Airways has suspended its 30,000-strong workforce with 80 per cent salary cuts. The distress is spreading.

"Even 9/11 is not comparable to the current crisis. We are facing existential questions with regards to the industry and the airline. **We don't expect flights to start at least till July-September"**

George Ettiyil, Senior Director (Sales), South Asia, at Lufthansa Group Airlines

The Guide to Fighting Coronavirus

Stage 1:
Survive (0-3 months)

In this phase, which could last for three months, travel and tourism companies will have to ensure that they have enough cash for salaries and other fixed expenses

In a typical hotel chain, 15 per cent employees account for 50 per cent payroll expenses. Instead of firing lower level staff, top management should take 50-70 per cent salary cuts

Request the government to provide relief in the form of tax waivers (statutory, municipality). Ask RBI to extend moratorium period (on loans)

Stage 2:
Revive (3-12 months)

In about six months, when there would be some kind of cure (but no vaccine), domestic travel segment would likely pick up; it is being loosely called revenge travel (frequent travellers who couldn't travel during lockdown will go on shorter holidays, avoiding public transport)

Following revenge travel, the leisure travel is likely to remain weak. Hotel room rates would fall but airfares would rise. This is going to affect travel patterns of financially distressed households.

Since international travel would still be almost zero during this period and no corporate events and incentive travel, the companies would need to emphasise more on domestic travellers, particularly business traveller from small enterprises and self-employed professionals

Costs of operations would rise marginally as companies would spend more on hygiene and stick to social distancing norms – examples like IndiGo flying half-full planes. Perception is going to play a big role in bringing back the confidence of travellers

Stage 3:
Thrive (Beyond 12 months)

In one year from now, by the time a possible vaccine would be out, travel and tourism would change completely. A new world order would take place

It's estimated that 20 per cent of travel and tourism companies will not survive for this long

Companies would need to focus on some low-hanging fruits like pulling foreign destination weddings (in middle-east and south-east Asia) back to India

Companies would need to seek opportunities in new destinations (Buddhist circuit, especially for international travellers) and craft new products (Yoga and wellness-oriented) suited for a new kind of traveller

Most services sectors, particularly travel and tourism, would become low-touch areas (automated room deliveries, self check-ins)

It is expected to take two-three years for hotel and aviation capacity to come back to 2019 levels

Back home, troubles are coming at a faster pace. GoAir asked its employees to take leave without pay in the third week of April. SpiceJet, too, sent some engineering staff on furlough. Prior to this, these airlines, along with IndiGo, Vistara and Air India, had announced salary cuts for some of their staff which were as high as 50 per cent in some cases. While salary cuts are almost inevitable, there's a clear consensus in the industry that layoffs should be avoided at all costs, especially at mid and junior levels. Why?

One, these people don't add much to the wage bill. Also, it's going to be difficult to find trained people after the situation normalises. Mark Martin, founder of aviation consultancy Martin Consulting, says GoAir should not have laid off expat pilots as there's shortage of senior pilots. "It's a penny-wise, pound-foolish decision. Once business starts, it's going to be employees' market. These pilots are not missionaries. They know the demand-supply situation. They are likely to ask for 30 per cent salary hikes after this is over," he says. In India, the acute shortage of commanders has led to a significant rise in the hiring of expat pilots in recent years. For instance, the number of foreign pilots in domestic airlines rose from 323 in 2018 to about 900 in 2019. About 50 per cent are reportedly employed by IndiGo. "The shortage of pilots is a structural problem which will take years to resolve. Till then, the airlines will be dependent on expat pilots," says Martin.

The trick is to look at each cost item aggressively and go on a minimal mode. Take, for instance, Lemon Tree, which renovates about 1/6th of its hotels every year. It spends some ₹35 crore a year on this. It plans to push the renovation to next year and avoid discretionary expenses like stationary, flowers, linen, etc. "The target is to bring operating costs at revenue level. Any hotel chain should have enough cash to survive the worst-case scenario," says Keswani.

"Understanding how different businesses are working to skim through this lockdown without major losses, we fear that small travel agents and companies are facing maximum pressure in keeping things together at their end. Measures such as cost cutting, cash conservation, holding off marketing campaigns can help the businesses to survive this period," says Dhruv Shringi, co-founder and CEO at Yatra.com.

The Long and Winding Road

The problem with the current crisis is that no one knows when it will end. The worst-case scenario that Keswani is talking about is two years. It's likely that most companies don't have the resources to last that long. However, it's apparent that once the lockdown ends, there will be a sudden jump in travel demand, as a lot of stranded people will move to their safe zones. This phase will be followed by another blip, and then another spurt of what's now called "revenge tourism" – frequent travellers who couldn't travel during lockdown will plan shorter holidays, avoiding public transport. So, while hotels may get some bookings during the "revenge tourism" phase, occupancy of flights will likely be muted. As such, airlines plan to reduce capacities once operations resume. In a recent webinar organised by the Travel Agents Association of India (TAAI), IndiGo's Chief Strategy and Revenue Officer Sanjay Kumar said the airline plans to restart operations with just 25 per cent capacity. Earlier, IndiGo CEO Ronojoy Dutta had said the airline would fill just 50 per cent seats post lockdown. So, if IndiGo was flying 261 aircraft prior to the lockdown, just 130-odd planes would be in service for some months. "It's clear that nobody knows when the recovery will happen but it's likely that domestic flights will take three-six months, and international 9-12 months, especially the long-haul ones," said Kumar.

Not just planes. Even hotels are going to be done up differently so that social distancing takes precedence over everything else. Cleanliness and hygiene will be top priorities for travellers checking out hotels on review websites such as TripAdvisor. Nakul Anand, Executive Director at ITC, says people rubbing shoulders with each other at popular restaurants like Bukhara (at ITC Maurya, New Delhi) is going to be a thing of the past. "Are we going to see banquets of 1,000 people again? Unlikely. It's not just attitudes

Are we going to see banquets of 1,000 people again? Unlikely. It's not just attitudes or opinions that will change. **This crisis is going to change values. When values change, it causes nothing less than a seismic shift.**

Nakul Anand, Executive Director, ITC

₹5 LAKH CRORE

Estimated loss to the sector

5 CRORE

Estimated job losses

Estimates for three months, including travel and tours, hospitality and aviation

Source: Federation of Associations in Indian Tourism & Hospitality or opinions that will change. This crisis is going to change values. When values change, it causes nothing less than a seismic shift. We will have to remove tables between tables so that people can have social distancing," he says.

George Ettiyil, Senior Director (Sales), South Asia, at Lufthansa Group Airlines said in a webinar that a fully recovery in the aviation sector is still years away (by 2023). "Even 9/11 is not comparable to the current crisis. We are facing existential questions with regards to the industry and the airline. Airlines are worst affected because of low margins in the business. We don't expect flights to start at least till July-September. Even then, we will not come back with the kind of capacity we had before. We will start with three flights to some of the gateways in India," he says. Lufthansa is reportedly losing €1 billion every month. In India, the travel and tourism market is highly unorganised. Though the sector contributes about 10 per cent to GDP (about $250 billion), it has about eight lakh unorganised agents as compared to just 53,000 organised players. "The biggest challenge is survival of smaller agents and the bulk of the industry which is highly unorganised. We are looking for government support to pay employees' salaries. Otherwise, there will be huge unemployment in the industry," says Jyoti Mayal, President, TAAI, a large travel agents' body with over 2,700 members, including OTAs (online travel aggregators) like MakeMyTrip and Yatra.

The sector has already made several presentations to different ministries asking for relief in the form of tax waivers (statutory, municipality). Yet, there have been no announcements yet, which has dampened the mood for the time being. "It should not be a case of too little, too late," says Akshay Kumar, Vice Chairman, FAITH.

"The key decision at the moment for managements is to take pay cuts instead of firing employees, and look for ways to cut fixed costs. Hotel chains can bring down wage bill by 30-40 per cent without touching 85 per cent of the staff"

Patu Keswani, Chairman, Lemon Tree Hotels

"We will discontinue meal service for a brief period and we will run our coaches at a maximum load of 50 per cent capacity"

Ronojoy Dutta, CEO, IndiGo

Domestic to the Rescue

Nevertheless, experts say India is in a much better position than other countries because of low dependence on outbound and inbound segments. Indian tourism is largely driven by domestic demand. For instance, India's total foreign tourist arrivals were 10.59 million in 2018, growth of just 2 per cent over the previous year. In comparison, domestic tourist arrivals were 1,854.9 million, 11.9 per cent more than the previous years, as per CARE Ratings.

ITC's Anand says India is better off due to a large domestic market. "There are two opportunities for us. The first is to promote the domestic market. Our outbound travel is about 25 million [a year]. How can we stop these people from travelling outside? A large proportion of outbound tourism is under MICE [meetings, incentives, conferences and exhibitions] and wedding categories. Can we incentivise corporates through tax concessions to hold their conferences in India? We will revive fast once the vaccine is out," says Anand.

Zubin Saxena, Managing Director and Vice President (Operations), South Asia at Radisson Hotel Group, says business-driven domestic markets will be the first to bounce back after the impact of coronavirus reduces. "We have stayed focused on expanding the domestic footprint with as much as 50 per cent of our business originating from Tier-II and Tier-III cities. Since international travel is expected to have a slow recovery, domestic demand in leisure destinations such as Goa, Kerala, Shimla and Manali will flourish once this is behind us," he says.

Then, the product offering will have to change. For instance, if hotel supply crashes, room rates are likely to come down, and that too for a long period. Why? Unlike aviation where capacity can be ramped up quickly to manage fares, hotel development takes time (seven-eight years). Hotels will have to focus more on bundled products so that the actual room rates can be disguised.

"The companies will need to focus on some low-hanging fruits like pulling foreign destination weddings back to India. There could be new opportunities in areas like yoga, ayurveda and wellness tourism," says ITC's Anand.

The New Normal

Recently, Emirates Airlines grabbed headlines for becoming the first airline to conduct on-site coronavirus tests for passengers boarding a Dubai-Tunisia flight. It's now believed that many foreign carriers will have to follow suit to gain confidence of travellers. But all this is going to come at a cost.

Companies with consumer interface will have to incur additional costs in reducing physical touch points (automated room deliveries, self check-ins) with consumers. This is going to spawn new streams of tech-enabled businesses. "There will be additional costs of somewhere between 10 per cent and 30 per cent if a company gets stringent about new safety protocols, which is going to be the need of the hour," says a tourism consultant.

"Hotels will have to see how they can minimise high contact areas for customers; social distancing during breakfast rush, no-contact check-in; and information on room sanitisation records...," Megha Tuli, Co-founder and Managing Partner, Hotelivate, said in a recent note.

Significant changes are also expected at airports, including the boarding process. IndiGo's Kumar says after every landing, the airline will need 20 more minutes to disinfect its planes. The aircraft turnaround time is expected to double across airlines with new safety procedures. "The number of flights in an airport will go down by as much as 30 per cent just to include new procedures. The entire process of a person travelling from one place to another will change. People will be expected to report at airports much earlier. Airports will have to gear up with new infrastructure. The slot management will become more complex as airports will have to space out flights so that these new procedures can be followed. Not that airlines will have capabilities to fly that many slots," says Murali Ramachandran, CEO of Turkish ground handling firm Celebi Aviation Holding.

In tackling the crisis, every country seems to have taken its own approach. Even within countries, states have been following different standards, which are likely to cause a big headache for travel companies once the business restarts. Hence, there's going to be a need for global standards (in areas like social distancing, health check-ups, travel and medical records) that can be followed by airline and hotel companies across geographies. "There's going to be a new value chain in international travel," says an executive of a large airline.

After the destruction of demand for the next six months, the tourism sector does see light at the end of the tunnel. With the three-point strategy of survive, revive and thrive, defined through specific timelines (see element *The Guide to Fighting Coronavirus*), players in the sector are preparing to fight back. Though winning this battle will be easier said than done. **BT**

@manukaushik

"Big challenge is to ensure construction starts at the earliest"

There is a perception that government expenditure over the next few months will be focused more on healthcare and disaster management, leading to lower spends on key infrastructure projects, including highways. **Nitin Gadkari,** Union Minister for Road Transport and Highways, spoke to *Business Today's* **Nirbhay Kumar** on how the government plans to restart key projects. Edited excerpts:

PHOTOGRAPH BY RAJWANT RAWAT

Over the past five years, road building has picked up pace. How would government ensure the growth momentum continues despite the challenges posed by the coronavirus pandemic?
The government focus on developing a robust infrastructure has been paying dividends. In 2014, the highways sector was in a bad shape with construction falling to 4 km per day in the last quarter of the fiscal. Huge NPAs were staring at concessionaires, there was delay in land acquisition, and various statutory approvals had multiplied problems. However, after removing bottlenecks, fast-tracking decision making, and introducing innovative models like Hybrid Annuity Model, confidence of contactors and concessionaires has been boosted. The pace of construction has risen to 30 km per day.

The National Highways sector is not isolated from the challenges posed by the global coronavirus pandemic. Right now the big challenge is to ensure construction starts at the earliest. I have spoken to our stakeholders and they have made adequate arrangements to face this challenge. Workers at sites have been provided necessary health and hygiene protection and food. I am confident that within a short span of time we may be able to overcome this crisis.

There are apprehensions that government may shift its focus to health and disaster management in the short term, and the highway programme could suffer. Is that likely?
While I agree partially that the government will have to focus on health infrastructure and disaster management, that doesn't mean doing so will impact the highways programme. In fact, highways are the lifeline of communication and connectivity in most parts of India and disaster management requires good infrastructure and connectivity; so both are important. In the north-east, we need to build good infrastructure to deal with disaster and medical emergency. The National Highways Authority of India (NHAI) has developed innovative models to raise finances. LIC and State Bank of India have offered large long-term loans to NHAI. The first bundle of TOT (toll-operate-transfer) has been a great success. We are looking at secu-

ritising our completed public funded or EPC (engineering, procurement, and construction) projects.

I believe there are people who convert opportunities into problems and others who convert problems into opportunities. We have accepted this challenge as an opportunity.

Bank support, timely release of funds to private developers would be key to bidding for new projects. What steps would you take to ensure that projects are not held up for want of funds?

Timely availability of funds is key to completing projects on time. I have already directed NHAI, NHIDCL and MoRTH through the state PWD to release any legitimate dues that may be pending against any ongoing project. We have developed a legitimate conciliation mechanism of retired judges to resolve any contract disputes or claims. I have advised NHAI to expedite this so that liquidity is available with concessionaires. I, along with the finance minister, had a detailed meeting with bank chiefs just before the lockdown; they gave the assurance that banks will continue to support the infrastructure sector, and highways in particular.

Will bidding for new projects be affected as banks and developers go for reassessment of risks and projections in view of the pandemic?

I have asked NHAI and MoRTH to complete approvals and desk work during the lockdown. As soon as it's over, we will be able to start bidding of projects. We already have bids under evaluation for more than 1,300 km, which can be awarded immediately. Another 1,500 km is ready for bidding. For banks also, highways sector offers great deal of opportunity, so I am very much confident that they will support us.

Do you see NHAI's asset monetisation programme getting hit by the pandemic and its impact on the economy?

Asset monetisation is one of the instruments to raise funds and I am sure it will do well. But we will continue to explore all other possibilities like long-term loans, securitisation, bonds, etc. We may also have to think about some new and innovative ways of financing. We have done it earlier, and I am sure we will do it in future as well.

What is the government's assessment of the coronavirus' impact on the highways sector?

The pandemic has thrown challenges to almost all sectors, including highways. Construction work at all places has stopped. It has an immediate impact on workers and labour, though we had advised highway developers to ensure adequate food, healthcare and stay facilities for them. It will impact the pace of construction. It is difficult to quantify at this juncture, but we will do so in due course of time.

Given that several highway projects are of national significance, should they not be identified and construction allowed, following standard social distancing norms?

Yes, many projects are of national importance and immediate start of work on these is very important. We also understand the intensity of this pandemic. The government has no other option but to go for complete lockdown.

Last week, I had reviewed these issues with highway sector officers . We are working on a business continuity plan. Wherever we can, we will open construction work in identified zones with permission of local administration. However, we are only looking at allowing the work to start in areas where standard social distancing norms can be followed and highest standards of hygiene and safety are adhered to.

As PM Narendra Modi said, *jaan hai to jahaan hai*, we want to start work immediately but without compromising the need to contain the spread of the coronavirus. BT

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NO FULL STOPS

How India Inc's business continuity plans are being overhauled to tide over the coronavirus crisis

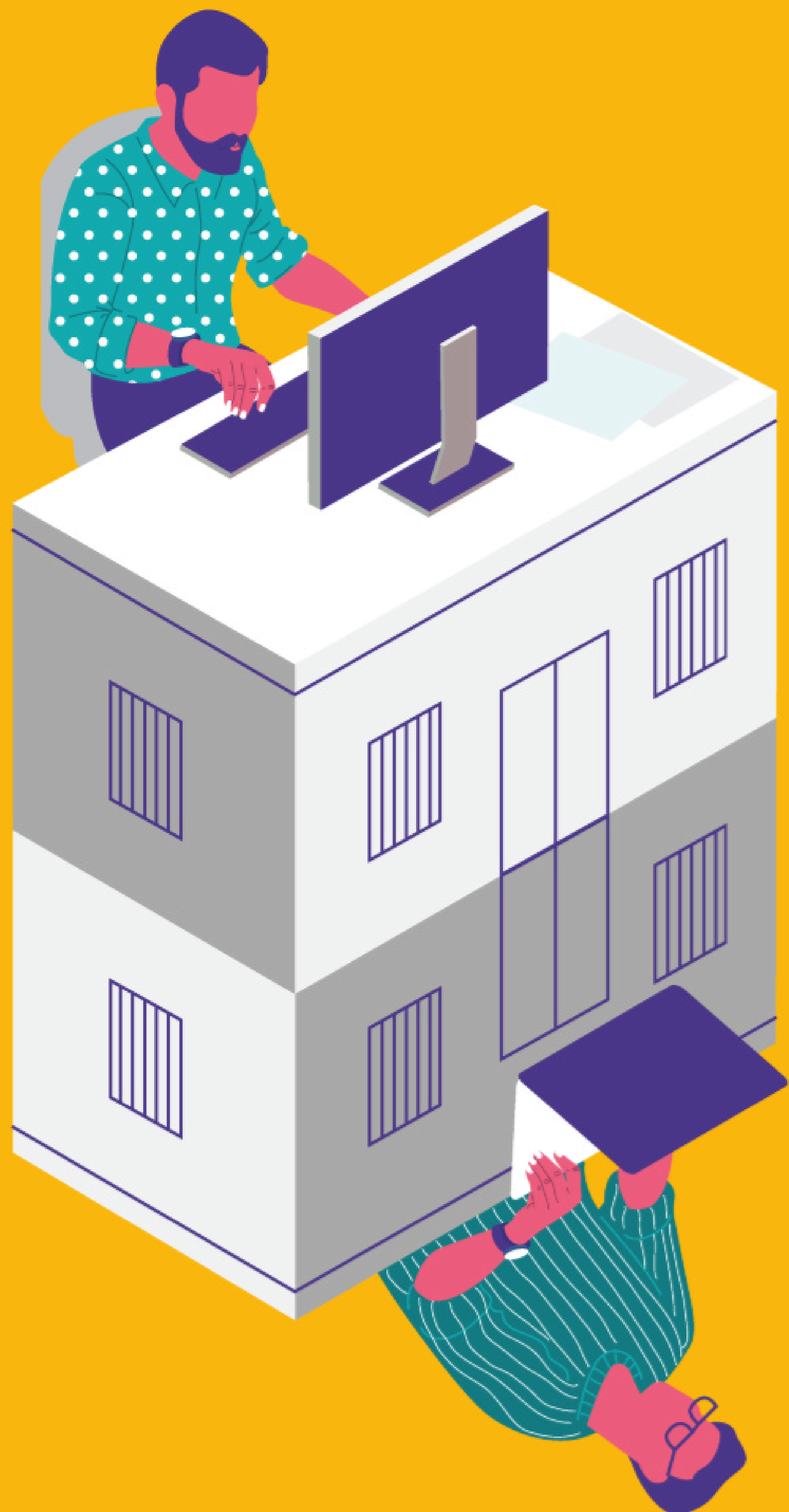
BY E. KUMAR SHARMA
ILLUSTRATIONS BY RAJ VERMA

In **January, Blue Star,** a maker of air conditioners, air purifiers and water coolers, set up what Chairman Shailesh Haribhakti calls the "information war room", a place where half-a-dozen people feed in data, which is then accessed by the company's key decision-makers. The aim was to track movement of every ship from China to make sure the company is in a good position in terms of supplies as soon as factories reopen. Like most manufacturers who depend on China for critical parts, Blue Star, says Haribhakti, "gets a lot of compressor parts from China. So, it is very important for us to monitor their availability." Going ahead, the war room will be an integral part of the company's business continuity planning, he adds.

Business continuity planning – the process involved in creating a system of prevention and recovery from potential threats – has assumed a central role as India Inc. looks to restart operations post the lockdown imposed to check the spread of coronavirus. The aim of the planning is to ensure that personnel and assets are able to function quickly in the event of a disaster. *Business Today* spoke to a range of leaders from different sectors, including automobile, information technology (IT), fast-moving consumer goods (FMCG), consumer durables, milk, pharmaceuticals, healthcare and education about how they plan to keep their businesses safe from future disasters. The virus seems to have taught companies a lot about components that every business continuity plan must incorporate.

The Key Aspects

"We have to think of information as the all-empowering resource. Any business continuity planning will need to take this into account," says Haribhakti. While remote working has been the preferred mode for some, there are



Key Pointers

- Remote work to become integral for non-manufacturing tasks
- Globalisation is dead. There are limits to exporting freely; BCP needs to factor in local sourcing
- Backward integration – focus on critical input availability and reduce external dependence
- Save on travel, automate more in labour-intensive operations
- Cash is king, discretionary spending down
- Invest in onsite housing for critical operations staff
- Diversify revenue streams and broad-base sourcing points

other aspects too. For instance, a company is looking at onsite housing for critical operations staff and a consumer durables maker is seeking to automate more, adding a layer of monitoring for every sourcing option and tracking market diversification. The planning ranges from new ways of looking at strengthening the IT infrastructure to keeping a closer tab on discretionary spending and new sourcing strategies, apart from backward integration.

"At Blue Star, we will look for multiple sources to complete the value chain. We will also look at the possibility of backward integration and local production within India and create that kind of risk mitigation to ensure business continuity. This is because if a critical input of your production is not available in the country and the only option is to import it from a single country, backward integration becomes important," says Haribhakti. Before that, the company is working on factory reopening, which means planning for safe working conditions, ensuring that employees practise physical distancing. Also, "since manufacturing cannot have work from home, we will have to look at more areas for automation and some areas that can be monitored remotely. We will look for those opportunities on an ongoing basis. This will lead to better productivity," he says.

The head of a large auto firm in India told *Business Today* on condition of anonymity: "Globalisation is dead. You cannot export freely now, and if you want to sell to a country, you will be asked to make it locally. Nobody will depend on China or any one country as the single source for anything. Preference will be to make at least 60 per cent of what a country needs locally." This, he says, is going to be an important component of business continuity planning. This leading business head, who now takes part in three to four video conferences a day, compared with just one a week earlier, says, "First, you need to worry about your cash and people. Make sure you have cash to survive and all your people are safe. Profit and business will follow. The current situation will probably take six months to blow out." He points out three important components that companies will have to start working on – Firstly, flexible working practices, as everybody need not come to work to be productive, aided by lesser time spent on travel. To begin with, one could start planning for five days work from home in a month. Secondly, travel and related expenses have to be significantly lowered. And finally, business continuity will have to factor in reduced dependence on China as a major supplier, particularly in medical equipment and healthcare. In manufacturing, he says, a lot of research and development, finance and human resource-related work can be done from home.

R.S. Sodhi, Chairman, Amul

- Sodhi is getting used to 80-90 digital interactions in a day; this may continue, though to a lesser extent
- No plant was fully dedicated to ice-cream and so it could shift its ice-cream staff to other operations
- This has taught the company not to be dependent on one business channel or product category

U.B. Pravin Rao, Chairman, Nasscom

- Earlier, business continuity planning used to factor in working from some other centre in case of an emergency
- A considerable amount of work from home may become acceptable to clients as well
- IT companies tell BT about plan to strengthen IT infrastructure at homes of staff. They plan to stock WiFi adaptors, network adaptors, to be distributed in an emergency

What's in and What's Out

Agrees Swati Piramal, Vice Chairperson of the Piramal Group, which is into pharma, financial services, glass and real estate. Taking time off between the 10-odd conference calls from home that she does every day, Piramal says her group has taken well to the work from home format. "Our meetings have become shorter and nobody is wasting time. Everyone is direct and to the point." The group, she says, will include work from home in its business continuity planning going ahead, to bring in greater efficiencies and reduce costs. Travel bills will definitely be reduced. Even discretionary expenditure will be cut. Unfortunately, it will affect many industries such as hospitality, jewellery and clothing. But then, Piramal also sees new opportunities in sectors that have been hit hard. "What we have seen from data coming from China is that real estate has picked up and so has purchase of cars. The reason being that people do not want to use shared services, be it rented homes or ride-hailing cabs," she says.

Beyond WiFi and Network Adapters

Most IT companies are listing measures that need to be an integral part of business continuity planning. These include strengthening IT infrastructure at homes of key employees, stocking WiFi and network adapters for emergencies, allowance for broadband expenses that employees may need to incur at a short notice and finding ways to optimally scale down information technology-enabled services operations while meeting customer needs.

Nasscom Chairman U.B. Pravin Rao says while it may be a bit early to spell out the specifics of what IT companies will do to ensure business continuity, "work from home is becoming a part of business continuity planning now. Earlier, business continuity planning used to factor in elements of working from some other centre in case of an emergency or natural calamity, but did not factor in a countrywide lockdown. Going forward, a considerable amount of work from home is likely to become acceptable to clients as well."

And it is not just for the IT sector. Even in sectors such as consumer durables, there could be new challenges. To address this, Voltas, a Tata Group enterprise, took to uploading "Do It Yourself" videos on YouTube to help customers with basic maintenance due to suspension of call-centre operations during the lockdown. Also, its operations and maintenance teams across India got down to providing support to "essential services" sites where customers needed operational, maintenance or breakdown support. The company, like many others, is leveraging technology to ensure business continuity. A virtual meeting room has been set up to ensure smooth functioning with help from Cisco. Elsewhere too, innovations are happening. For instance, Japanese companies Transcosmos Inc. and Transcosmos Online Communications Inc. on April 20th announced a "LINE-powered Business Continuity Planning package" designed for contact centres. It enables businesses to offer emergency chatbot services that will help businesses swiftly open support channels using LINE, a freeware app.

Break From the Past

Going forward, business continuity planning will need to focus on diversity of operations, where one facility is not completely dependent on a single activity, says R.S. Sodhi, Managing Director, Gujarat Cooperative Milk Marketing Federation, or the more popular Amul. Sodhi, who is getting used to four-five video conferences per day and face-to-face digital interactions with around 450 people across the organisation in just about five days, says: "We have learnt not to be dependent on either one distribution

Swati Piramal, VP, Piramal Enterprises

- In future, the company will will work from home in its business continuity planning
- This will reduce travel bills and discretionary spending, apart from making workers more productive

Shailesh Haribhakti, Chairman, Blue Star

- The company sources many parts for compressors used in air conditioners from China
- It is looking at backward integration and producing more components in India
- It is also looking to automate more of its production and remotely monitor certain operations

Pradeep Bakshi, CEO, Voltas

- A virtual meeting room software from Cisco has been set up to ensure smooth functioning
- Voltas has uploaded "Do It Yourself" videos on YouTube to help customers with basic maintenance; this may continue in future too

channel or product category. You need to have products in different baskets." For instance, he says, since none of the Amul plants was exclusively for ice-creams, "we could divert people to other operations." This flexibility, he feels, will become increasingly critical in business continuity planning. Echoing this, Dodla Sunil Reddy, Managing Director of Hyderabad-headquartered Dodla Dairy, says: "The focus will be on having a small team of people stationed at the manufacturing site, so that during emergency, the critical operations staff is available onsite."

So, it is clear that what worked in the past will now be looked at afresh, and not all of it will stay. A case in point is a recent article, *What the Shift to Virtual Learning Could Mean for the Future of Higher Ed*, published in the *Harvard Business Review*, written by Professor Vijay Govindarajan, the Coxe Distinguished Professor at Dartmouth College's Tuck School of Business, and Anup Srivastava, Associate Professor at Haskayne School of Business, University of Calgary. The piece raises questions such as whether students really need a four-year residential experience at all, or what kind of improvements in IT infrastructure, faculty and student training will now be needed for digital engagement.

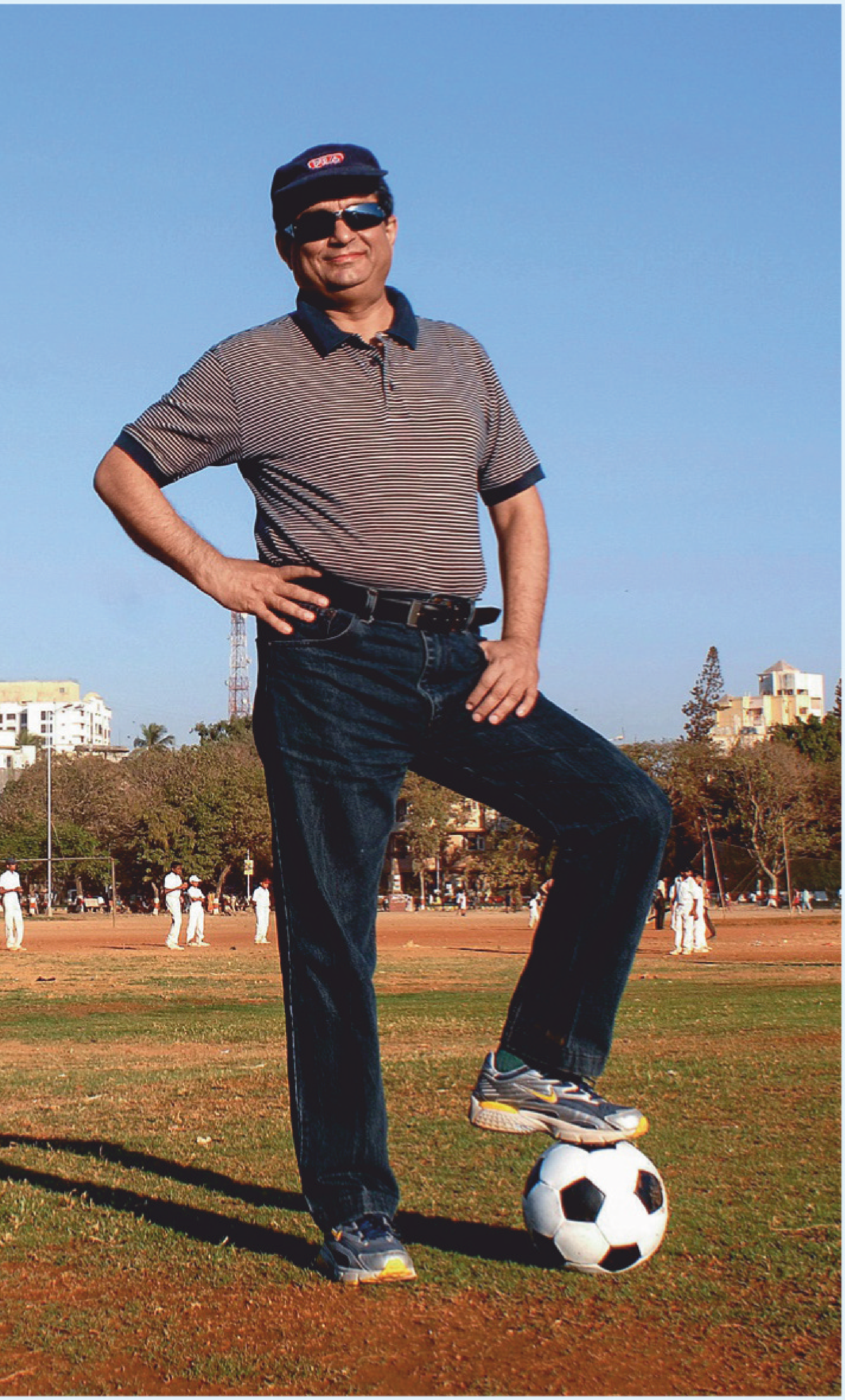
The Hybrid Model

So, while there are business continuity issues in sectors such as education that need to be looked at, there are also solutions that are emerging. On April 10, stranded in Hyderabad during the lockdown, Srinivas R. Pingali, Professor of Business Policy and Strategy at IIM Udaipur, ended up playing a part in what could well become the first experiment at hybrid teaching by the institute. Between 11 am and 1 pm on a Friday morning, Pingali conducted a session on "digital transformation" in a format that combined instructor-led online teaching with a self-learning programme on online learning platform Coursera. Janat Shah, Director of the institute, who worked with Pingali to get this off the ground in a matter of three days, told *Business Today*: "The one big lesson learnt is the need to have all students and faculty prepared to move online at a very short notice." He is confident it will work, and cites examples of successful interventions globally like when the Singapore Management University took to strengthening the online medium during the SARS outbreak in 2003. "Typically, in most IIMs, there are 15 courses in an academic year and each course has 20 sessions. We at IIM Udaipur want to have at least one online session in each of the courses going forward."

The transition to a new normal is throwing up fundamental questions. While for clients, operations will mostly be seamless, will the nature of people engagement become highly transactional, driven by the here-and-now needs of companies which need to buy stuff, process it and move it? Compare this with the pre-coronavirus era when the purpose of travel was also to understand people, engage with them and build an emotional connect. Without sitting across a coffee table and chatting and understanding each other, will leaders be able to motivate, inspire and get people to deliver? Can all of this happen in a Zoom-enabled world? An FMCG industry veteran feels the post-coronavirus world will not be an "either-or case" and will perhaps be a nuanced mix of both. BT

@EKumarSharma

Network



PHOTOGRAPH BY UMESH GOSWAMI

Aditya Puri's Second Innings

After a 25-year illustrious career in HDFC Bank, Aditya Puri, 69, is set to retire from the largest Indian private bank in October. Puri, who joined as the first employee, has been instrumental in building the bank from scratch and turning it into the most valued lender in India. He is now readying his retirement plans.

Puri says he has "enjoyable plans" for his retirement life. "I will play my favourite game, golf. Trekking is my other passion. I prefer to walk in the woods," he says. Music will become the filler, he adds. But what would be his contribution to his biggest passion — banking? Puri is ready to take up board position in any international or Indian firm. He will also consider top jobs in private equity firms.

Puri is known for skillfully optimising time. He prefers to be the first person to reach office. While going out for a meeting, he ensures that he meets as many people as possible, ranging from executives in client companies to people on the street. He does not use a mobile phone or wear a watch. When his colleagues and juniors are still working in the office at 5.30pm, Puri wraps up for the day.

In a meeting a year back, Puri spoke about the "five balls" analogy of Coca-Cola's former CEO Bryan Dyson to explain the importance of living a balanced life. He concluded that professional life is like a rubber ball and will always bounce back, while family, health and personal life are like crystal balls. For Puri, who gives so much importance to family, retirement will be a pleasure, but he says he will continue with hobbies like farming and agriculture and grow fruits and vegetables at his farm in Lonavala.

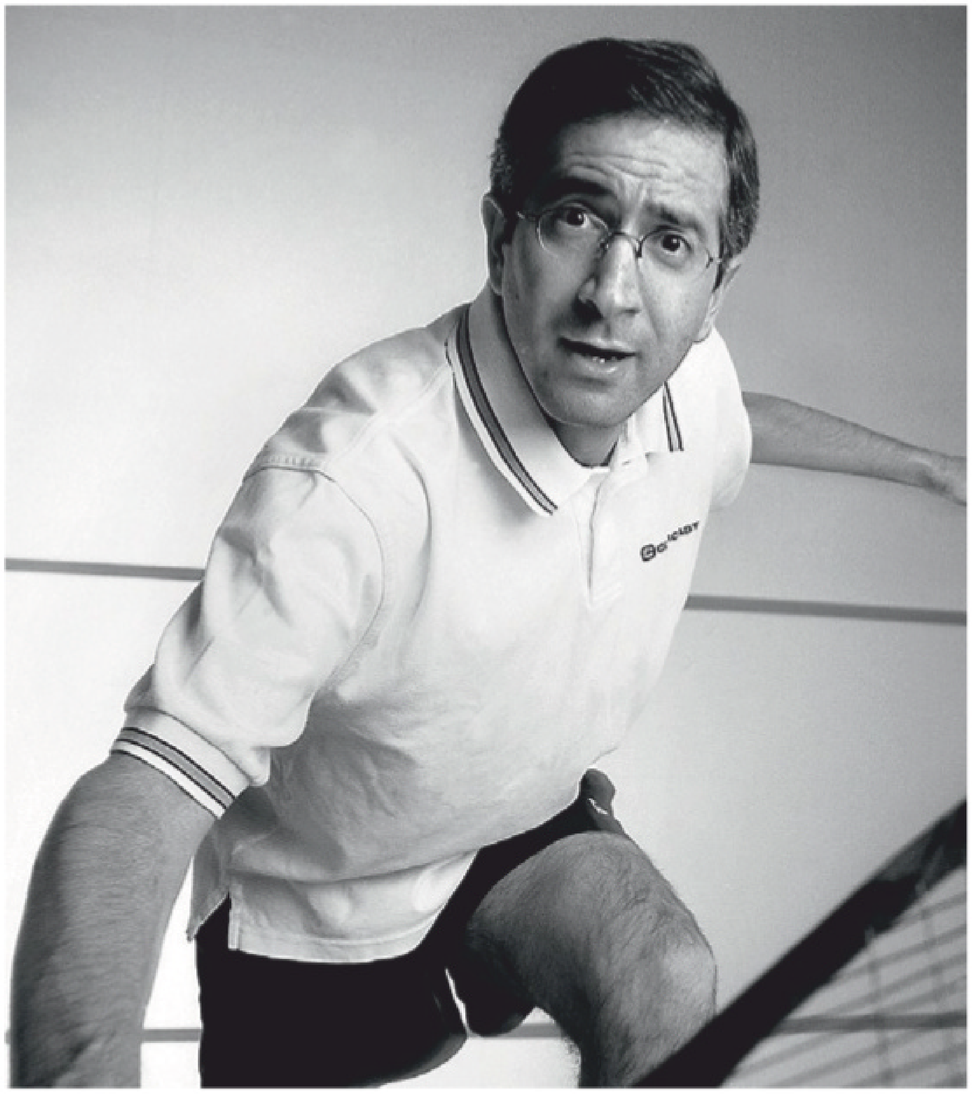
–NEVIN JOHN

ZEN THROUGH THE LENS

For Aditya Agarwal, Managing Director, Morningstar India, wildlife photography is how he disconnects himself from the daily humdrum of his profession and devotes himself to mother nature. He ensures that he goes on at least three-four trips a year to capture all that nature has to offer. "I have been going to jungles for ten years or so. I have been to Ranthambhore National Park, Jim Corbett, Pench, Bandhavgarh, Sunderbans, among many others. Ranthambhore is my favourite. Being in the jungle in scorching heat or chilling winter with basic accommodation, away from the internet, is a challenging but a rejuvenating experience."

Agarwal, a self-taught photographer, says that more than smart techniques, patience and focus are what makes you excel in photography. You need it in financial markets too, he says. Just as your investments demand patience and discipline to stick to the asset allocation, in wildlife photography, you need to focus on what you want to capture. For example, says Agarwal, clicking a tiger demands patience as you may have to wait for long hours for the perfect shot. "During that time, you may feel you are missing out on opportunities to click other animals, but you have to stay focussed. Similarly, in markets, you need to fight the lure of making money in the short term. Focus on your goals and stay patient. You'll be safe," he says. Wildlife photography is more than a hobby for Agarwal. "It is an investment (of time and energy) that returns peace and zen."

– APRAJITA SHARMA



Squash It

Brian L. Roberts, Chairman and CEO of Comcast Corporation, the US-based company at the intersection of media and technology that provides cable services, entertainment and communication products, is a committed squash player. Roberts is an All-American squash player who won a gold medal with the US squash team at the 2005 Maccabiah Games in Israel and silver at the 1981, 1985, 1997 and 2007 editions. The silver medals include one in the over-35 division.

He opted for squash in high school since he was not tall enough for baseball. Today, the 6 ft 2 in Roberts is tall enough, but so is his love for squash. He was the number one player in the team and its captain. Legendary coach Al Molloy, a former marine, put Roberts on a tough weightlifting regime to bulk him up. Molloy made him play matches against retired Phillies centerfield Richie Ashburn, who played a physical game of squash. What Molloy did was to make Roberts tough, physically and mentally.

Today, Comcast along with its three primary businesses — Comcast Cable, NBCUniversal and Sky — is also the majority owner of Comcast-Spectacor that owns the Philadelphia Flyers, the Philadelphia 76ers and the arena in which they play.

PANORAMIC VIEW

An avid photographer for years, Manish Sharma, President and CEO, Panasonic India and South Asia, recently started sharing his travel experiences through #ShotStories – a compilation of photos and videos that portray his perspective on cultures, histories and heritages. Working for the Japanese conglomerate, Sharma often travels to the Land of the Rising Sun. Japan tops Sharma's list when it comes to capturing natural beauty and enjoying hospitality. "Places such as Hakone, Matsuyama and Mount Fuji are surreal. They share uncommon natural beauty such as hot springs and fantastic views combined with Japanese architectural marvels – a picturesque delight for photographers. I am drawn to pictures that tell stories, that portray not just the beauty of the moment but also the magnitude of the past," he explains.

Within India, Sharma finds a spiritual connection with popular pilgrimage sites of Vaishno-Devi, Shirdi and Tirupati, which he tries to revisit. But his favourite travel destination is London – a place he loves to go back to. He believes that London offers a beautiful combination of new world innovation, history and old-world architecture.

Sharma's interest in history is not limited to photography and travel; he also enjoys collecting antiques. "Antiques never fail to get my attention. They are a reflection of heritage and values passed through generations, building priceless memories."

– NIDHI SINGAL

TO THE ENDS OF THE WORLD

Being the head honcho of a loyalty programme company that essentially deals with travel, it's not surprising that **Manish Dureja**, MD and CEO of InterMiles (erstwhile Jet-Privilege), says his greatest passion is to travel far and wide. However, he makes sure he stays away from the usual destinations. From the overwhelming Mendenhall Glacier in Alaska to experiencing the world's biggest Christmas market in Austria and enjoying a high-speed drive on the famed Autobahn in Germany, Dureja keeps his holidays offbeat. "Last December, we drove almost 1,500 Km within Europe. I spent hours at the Christmas market in Salzburg, understanding how they make the popular mulled wine, which is consumed hot." Dureja looks forward to his vacations not just to unwind but also to learn about new cultures and traditions. "I want to go back to the Mendenhall Glacier once more to understand about the local people and culture. I landed on that glacier in a helicopter and spent about an hour over there and what struck me most is how the locals care about nature and preserve it."

Back home, Dureja makes it a point to visit the Golden Temple in Amritsar. He says the pull is not so much religious; he finds it to be the biggest equaliser. "You sit in the *langar* hall and however big you may be professionally, it makes you realise that you are just like everybody else, a commoner. That's a powerful feeling and it keeps you grounded."

– AJITA SHASHIDHAR

Best Advice I Ever Got

"YOU ARE THE CUSTODIAN OF THE CULTURE OF THE ORGANISATION"

RAMESH IYER, VICE CHAIRMAN & MD, MAHINDRA FINANCE

PHOTOGRAPH BY RACHIT GOSWAMI

Q: What was the issue you were grappling with?

A: We were setting up retail finance options across the country in the mid-'90s. The biggest challenge was to recruit teams locally. They came from different backgrounds. The challenge was to align them to one Mahindra culture. Trust and empowerment were the two pillars of success.

Q: Who did you approach for advice and why?

A: I used to work under a general manager (GM) named Gidwani, in my previous job. Those days, GM used to be head of the unit and I was the junior-most employee. He used to come very early to office. I often followed the same route to learn from him. His advice came in handy.

Q: What was the advice?

A: He once said people should fear you not for your authority but for your knowledge. If people fear you for your knowledge, they will respect you for that. The other thing he used to tell me is that you must respect everyone irrespective of age, level and capability. But more importantly, as a leader, you are the custodian of the culture of the organisation.

Q: How effective was it?

A: Today, this is the culture in this company. They build pressure for performance but don't use unacceptable language. I may not have witnessed the benefit when I was growing into leadership roles. But once I came into Mahindra Finance, I started relating to it substantially. I was almost the first employee along with Executive Director V. Ravi. We both started the company with one table and two chairs. In last 25 years, I have never lost my temper. I have not used language that is very offensive to people. BT

– ANAND ADHIKARI

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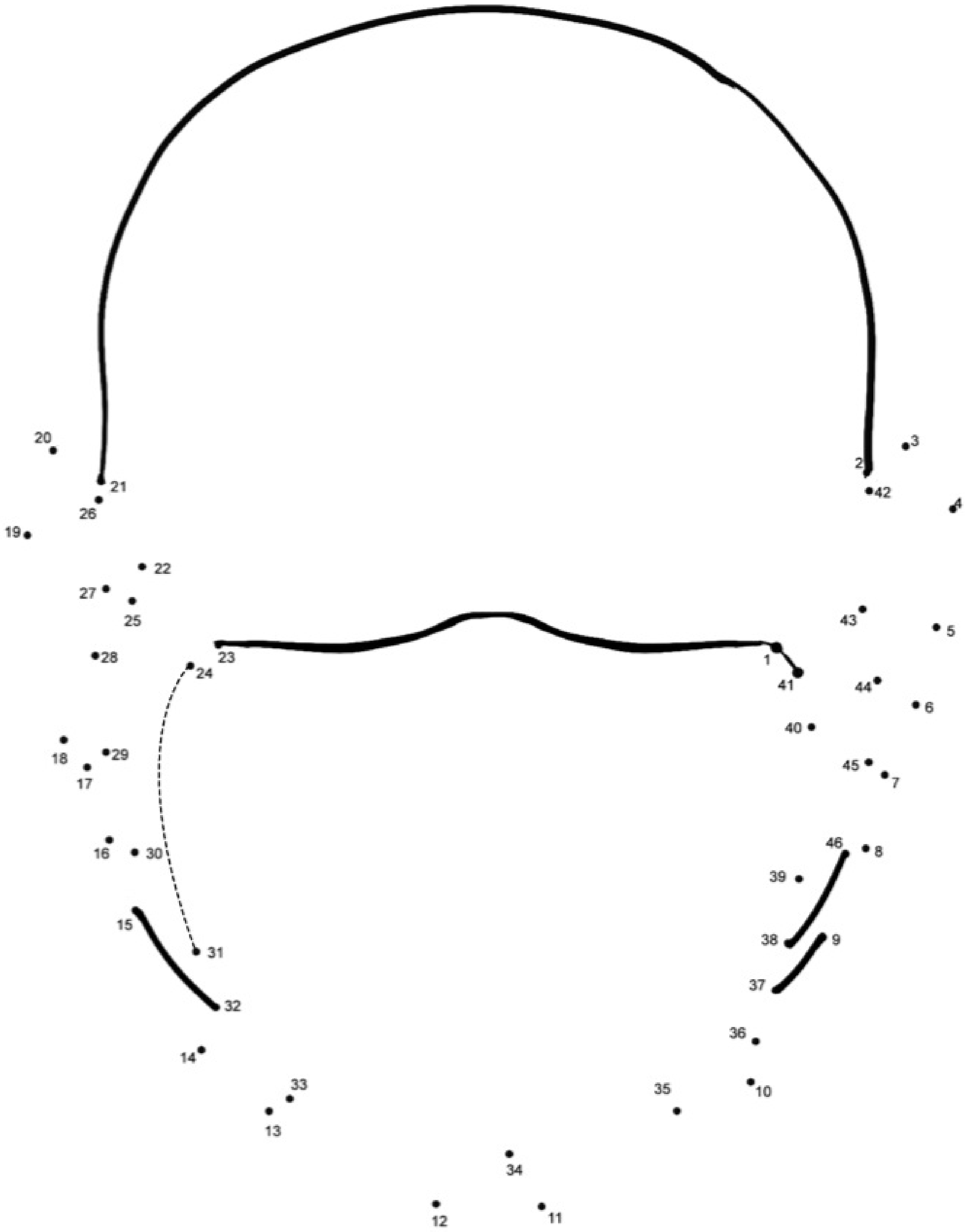

LET'S JOIN

together for a better tomorrow

Complete the picture and share it on your social media (Facebook, Twitter, Instagram) and use the hashtag #JeetegaBharatHaaregaCorona