NEWS

DOMESTIC NEWS

IOC launches battery swapping facility for electric vehicles: Indian Oil Corporation Limited (IOC) will launch a battery swapping facility for electric vehicles (EVs) at petrol pumps by replacing the discharged batteries with fully charged ones. In early stage of the model commercial vehicles such as electric autos, rickshaws and electric two-wheelers will be covered.

(Source: Hindustan Times)

ISRO to move satellites, rockets to its commercial arm NSIL; boost for private sector in space: India’s space agency is planning to shift all its operational satellites and rockets to its subsidiary, New Space India Ltd, allowing the private sector to commercially use its assets. Whereas ISRO will concentrate on building technologies and undertake deep space missions and human space flights.

(Source: The Economic Times)

Government to auction five mineral blocks in Gujarat, Karnataka: GOI will commence the auction of five mineral blocks in Gujarat and Karnataka which have reserves of 667.2 million tonnes. The mineral blocks are auctioned because the central government has asked each state to recognize at least five new mining projects for auction to speed up the sale process as well as operationalization of the blocks.

(Source: The Financial Express)

Fitch Upgrades Reliance Industries' Ratings due to improved financial profile: Credit ratings agency Fitch has promoted Reliance Industries' ratings from "BBB" to "BBB+" because of improvement in the company's financial profile. The major reason for improvement is reduction in net debt of the company.

(Source: India TV news)

INTERNATIONAL NEWS

Company’s Boycotting Facebook: Companies have been boycotting Facebook ads burning a hole of $7.2mn in Mark Zuckerberg’s pocket, resulting in 8.3% decline in its share price. The boycott has been taking place due to Facebook’s content policy. Amongst the on-going uproar in USA, Facebook’s content policy has been thrashed because it has been home to a lot of racial discrimination & hate speech. Initially only socially conscious brands had pulled their ads but now, even giants like Unilever & Coca-Cola have withdrawn their ads from Facebook.

(Source: CNN)

Zoox, a self-driving car start-up acquired by Amazon: The deal is expected to be upwards of $1 billion, which will allow amazon to be in the driving seat of the start-up which has been developing electric self-drive vehicles. This is the biggest investment of Amazon ever. A bi-directional vehicle with no steering wheel is in the developing stage for zoox right now. The trials have been impacted by COVID-19 shutdowns.

(Source: theverge.com)

American Companies find willing buyers of debt abroad: Overseas investors are flocking to purchase U.S. company bonds, aiding a restoration in credit score markets that had been thrown into disarray by the pandemic. Steps taken by the Federal Reserve to maintain credit score flowing by means of the U.S. financial system, mixed with the extra enticing yields provided by American company debt, have drawn Asian and European buyers since late March. Foreign money-hedging prices have additionally dropped for worldwide buyers, propelling demand.

(Source: wsj.com)

Carbon Label on 70,000 Unilever Products: Unilever has put a new climate plan through which it will put carbon label on 70,000 of its products, which will show how much greenhouse gases were emitted for manufacturing that product. They are committing to reduce large portion of its emissions to zero by 2039. While also committing to invest $1.1mn in climate friendly initiatives over the next decade.

(Source: Bloomberg.com)

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**IMPACT OF COVID ON BFSI SECTOR**

COVID-19 is a developing event which has brought uncertainty to every aspect of our society. While safety of people is of the utmost importance, continuity of the business and economy shouldn’t be left far behind.

Even prior to the pandemic, the Banking Financial Services and Insurance (BFSI) sector wasn’t in the best of shape. In the last fiscal year itself it had seen multiple scams in banks with the likes of PMC & Yes Bank and not to forget the shadow banking crisis of India led by IL&FS & DHFL.

The pandemic came in like a critical blow to the vital organs of our economy. However, RBI took certain measures to give relief to the lending institutions in the areas of liquidity, regulation and supervision and financial markets.

To increase the liquidity RBI reduced Cash Reserve Ratio (CRR) by 100 basis points to 3%. The Net Stable Funding Ratio (NSFR) which minimizes funding risk by requiring banks to fund their activities with sufficiently stable sources of funding was postponed to 1st October 2020 instead of 1st April 2020.

Even the Marginal Standing Facility (MSF) was increased to 3% of Statutory Liquidity Ratio (SLR) at 4.25%. The relief package provided by the Government of India to all the other sectors was nothing more than a line of credit which they could avail and the easing of liquidity norms of banking sector the means to do it.

Moratorium on all terms loans provided by all commercial banks and NBFCs will differ their current cash flow to September 2020.

However, considering the current situations analysts suggest the NPAs will rise, but the government has also got rid of that issue stating the same definition of NPA won’t be applicable to those affected by the financial shock of the pandemic and the cases won’t go to the Insolvency and Bankruptcy Board of India (IBBI). Through and through the BFSI sector is acting like the spine of the economy but till when that’s the question.

Shruti Sonawane

**IMPACT OF COVID ON RETAIL INDUSTRY**

The Retail industry in India is one of the most dynamic and fast-paced industry which accounts for 10% of the country’s GDP and around 8% of the employment. But COVID-19 pandemic and lockdown in the country forced retail stores to remain closed from the mid of March. As a result, retail industry has shown a remarkable disruption in business.

The retailers of essential goods like grocery, medical shops, etc. were doing well in this pandemic. But, retailers of other brands were facing daunting multitude of short-term challenges around health and safety, supply chain, labour force, cash flow, consumer demand and marketing. This has made people unemployed who were engaged in this industry.

To mitigate the disruption caused by this crisis, Indian retailers will need to discover strategies while managing their costs through operational improvement and by evaluating the store portfolio. They should map a strategic journey to financial resilience at the same time plan for long-term implications on their operating model owing to shift in external environment.

Some retailers across India are facing financial crisis due to diminishing revenues and pending rents, salaries and interest payments. As a result, it has become difficult for retailers to focus on optimization of cost and maintain liquidity for their survival in long term.

Due to the impact of COVID-19, the retailers are shifting their strategies very quickly by adapting a new set of consumer behaviours and moving towards ecommerce solutions.

As consumers have quickly shifted to natural and sustainable products, medicines, health items, supplies, cleaning materials, etc., Amazon made sudden changes to their fulfilment program to prioritize these products and its operations.

For non-essential businesses, there will be an additional level of creativity required to maintain at least the same turnover as it was before pandemic. Some business will not able to succeed, especially those who were on the decline stage before the coronavirus outbreak.

Milind Sharma

**IMPACT OF COVID-19 ON AVIATION INDUSTRY**

Aviation Industry was one of the first industries to be affected by the COVID-19 crisis as many countries imposed travel restrictions and suspended flights to contain the spread of the highly contagious virus.

The Aviation industry is segmented into passenger airlines, cargo airlines, aircraft manufacturing companies, airports managing companies, and catering & other service providing companies.

Out of these the passenger airlines and catering & other service providing agencies are most affected due to cancellation of domestic as well as international flights. According to IATA, in 2020 revenues of airline companies are expected to fall by 50% to $419 billion from $838 billion in 2019.
They are expected to lose $84.3 billion in 2020 for a net profit margin of 20.1%.

Operations were halted during the lockdown period leading to huge loss of revenue and liquidity issues for the companies as airlines and airports have high fixed costs necessary to maintain the infrastructure components, including aircrafts, runways, taxiways, parking stands and terminal buildings.

Most airlines were reported to impose certain measures to contain their costs including salary cuts, laying-off staff and reducing fleets of aircrafts.

In the upcoming years, demand is suspected to be low as the psychological after effects of the crisis would modify people’s behaviour which would reduce travel for tourism and business reasons.

Airlines will also have to adhere to additional security measures as passengers would demand health safety which would further increase costs in the form of pre-boarding checks including temperature checks.

Low demand would also reduce the need for jumbo jets affecting the airline manufacturing companies like Boeing and Airbus.

The overall impact of COVID-19 pandemic is going to be high for the aviation industry for many years and the recovery to pre-crisis level is expected to take around a decade.

Simran Sanan

IMPACT OF COVID ON PHARMA SECTOR

India is a leading exporter in generic pharma sector. The Indian pharmaceutical industry is the world’s third largest drug producer by volume and also the country’s market manufactures 60 percent of vaccines globally. India supplies low-cost generic drugs to innumerable people round the world.

The country’s pharmaceutical industry is expected to expand at a CAGR of 22.4% over 2015–20 to reach US$ 55 billion.

The pharmaceutical sector was valued at US$ 33 billion in the previous year. The domestic pharmaceutical industry has received foreign direct investment (FDI) worth US$ 16 billion on a cumulative basis, between April 2000 and June 2018.

Indian pharma has been able to endure the COVID disruption, and is poised to realize from favourable currency growth and positive outlook for India and US business.

India’s growth has picked up in the pharma sector. Unlike the other industries, the pharmaceutical industry is predicted to determine a positive impact, on an overall basis.

India’s pharma manufactures have a high dependency upon china’s import of Active Pharmaceutical Ingredient (API), procuring around 70 percent from China, the highest global producer and exporter of APIs.

The lockdown, slowed production of APIs resulting in higher costs of materials required for generics production. As per the data, cost of paracetamol has gone up. Likewise, the costs of vitamins and penicillin have increased heavily.

API means the active ingredient which is contained in medicine. The Indian government had already mixed up the country’s pharma companies to extend up the assembly of 38 APIs to finish dependency on China.

The Indian government recently took steps by proposing a package of 13.76 billion Indian Rupees for the promotion of domestic manufacturing of critical key starting materials, drug intermediates, APIs and medical devices.

The Indian pharmaceutical industry maintains great advantages in availability of an oversized labour and advanced technologies that enable high regulatory standards of markets just like the US and European countries.

Niyanta Khare

IMPACT OF COVID ON REAL ESTATE SECTOR

COVID-19 has severely impacted businesses worldwide and the sentiments of businesses are mostly negative. The outbreak has created a great deal of uncertainty regarding trade and imports, not only in China but worldwide, with shipping rates reduced to 616 points.

Indian real estate sector also got hit hard due to the pandemic. Around 53% of homebuyers have deferred their purchases. 74+% of brokers are looking for reduction in prices. 6.24 lakhs units are unsold in metropolitan cities, which accounts to Rs.3,70,000 crores. It is estimated to take around 3.3 years to be cleared.

India imports iron & steel, technical and electronic equipment, plastic and fibre elements and solar panels from China which forms a very important part of construction.

Due to the pandemic the supply of these raw materials is reduced to a great extent, resulting into rise in the price of raw materials and decline in profit margins for builders.

Post lockdown even if the production and supply chain get back on track, the most important issue will be of wage workers.

According to India’s income pyramid, 1126 million people fall under India-3, having per capita income of $1200, out of which 460 million are working which form 88% of the total workforce. Based on India’s wealth pyramid 770.7
million people have wealth of $10,000, which forms 63.1% of the total population.

Due to the great hit in daily wages returned to their home town and their comeback is doubtful, causing a great impact on functionality of real estate sector.

However, pandemic has also created opportunity for Indian steel industries under ‘Make in India’ as the Ministry of Steel, Government of India, is preparing a strategy to facilitate the production of 10 million tons of special steel at the cost of Rs 50,000 crores, with the potential to employ around 50,000 workers.

Rushil Patel

MASALA BOND

A bond is an instrument of the indebtedness of the bond issuer to the holders.

Masala bonds are bonds issued in a foreign country but denominated in Indian Rupees, rather than foreign currency. The money issued from Masala Bond is used for financing medium/long term projects in India.

The name ‘Masala bonds’ is used by International Finance Corporation (IFC) to evoke flavor of Indian culture and cuisine. The Masala bond is sold in the market of London Stock Exchange. They are different from External Commercial Borrowing (ECB).

In ECB the currency risk lies with the Indian issuer while in case of masala bonds, the currency risk lies with overseas investor. They can be issued for three or five or seven year maturities.

Companies can raise the bonds under the automatic route (i.e. without prior approval) an amount equivalent to US $50 billion per annum. To raise amount beyond this limit would require prior approval of the Reserve Bank.

The first Masala Bonds were issued on 10 November 2014 under IFC’s ₹1,000 crore bond to fund infrastructure projects in India.

In July 2016 HDFC raised ₹3,000 crores from Masala bonds and became the first Indian company to issue Masala bonds.

Another popular variant of Masala bond is Green Masala Bond are issued for investing in Green Infrastructure for Environmentally friendly projects and combating climate change.

India is not the only country to issue rupee denominated bonds in other stock exchange. There are some other bonds like Eurodollar bond, Baklava bond, Kangaroo bond, Maple bond, Samurai bond, Bulldog bond etc. that are denominated in their respective currency rather than foreign currency.

Falguni Chhajer

Glossary

Samurai bond- It is a Japanese bond issued by the non-Japanese so that it can be subjected to regulation which can provide with an access in Japanese capital so that it can be used to invest in the local market or international market.

Bulldog bond- It is a type of bond which is purchased by the buyers who are interested in earning the revenue in British market. It also decreases the risk of exchange rate.

BBB+ rating- It is credit rating system. Lower ratings are considered as speculative and it is referred to as a high yield bonds.

Wealth pyramid- The pyramid shows the world’s net wealth belongs to the top 1% of the adult’s wealth.

Baklava bond- The name terms as a Turkish dessert. It is a bond which is issued by the domestic or international entity of Turkey.

Chetna Jhuria

Quiz

1. Full form of IATA is_________________. (International Airport Transport Association)

2. The name _________________ is used by International Finance Corporation (IFC) to evoke flavor of Indian culture and cuisine. (Masala bonds)

3. Amazon’s biggest investment till now is in _____________. (Zoox)

4. Full form of API is _________________________. (Anti Pharmaceuticals Ingredient).

5. _____________________ will launch a battery swapping facility for electric vehicles (EVs) at petrol pumps by replacing the discharged batteries with fully charged ones. (Indian Oil Corporation limited)

Chetna Jhuria

“Most people work just hard enough not to get fired and get paid just enough money not to quit.”

George Carlin