



INDIA REPORT

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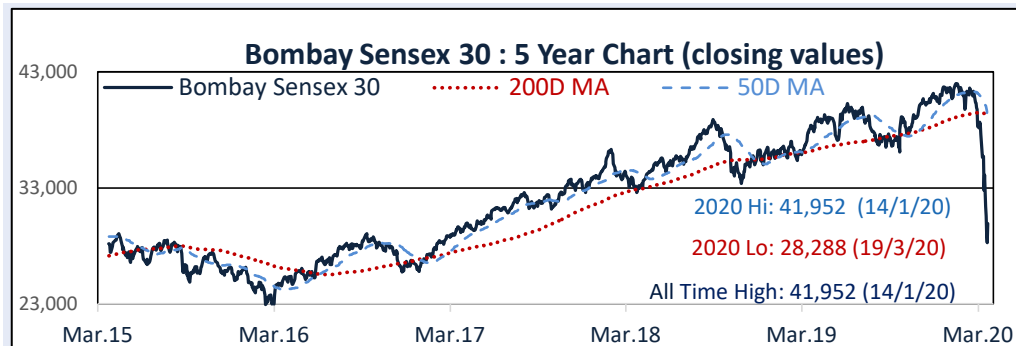


LALCAP

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London, 20 March 2020



Close: 20 Mar 2020	Level	Index Pts Chg- Day	% Chg YTD	PE 2020/21	Avg	5 Year PE High	Low
SENSEX 30	29,915	+1627	-27.5%	13.5x	21.0x	25.4x	13.5x
NIFTY 50	8,745	+482	-28.1%	12.8x	20.9x	24.8x	12.8x

Other Markets: % YTD: 20 Mar

ASIA: CHINA Shanghai: 2,745 (-10%)

JAPAN Nikkei 225: 16,553 (-30%)

EUROPE: UK FTSE: 5,191 (-31%)

GERMANY DAX: 8,929 (-33%)

USA: Dow Jones: 19,714 (-33%)

GOLD: \$1,497.64 (-1%)

SILVER: \$12.58 (-29%)

BRENT OIL: 25.99 (-62%)

Indian Currency: 20 Mar

INR ₹ / USD \$1= Rs75.40 (-5.7%)

INR ₹ / GBP £1= Rs87.90 (+7.2%)

INR ₹ / EUR €1= Rs80.66 (-0.8%)

The India Report completed 25 years on 6 March 2020. The journey began when the first report was written at the request of The Indian High Commission (Indian Embassy) in London for an investor meeting there on 6 March 1995. Over 1,000 reports have been written since. This probably makes it the longest and most consistent independent analysis in the UK on the unfolding India economic story. Also, the report has readership across five continents now.

India said it will suspend until 15 April the vast majority of visas to the country in a wide-reaching attempt to prevent the spread of coronavirus. This ban included millions of foreign nationals of Indian origin, who are traditionally granted visa-free access by holding Overseas Citizen of India (OCI) cards. **India also closed the Taj Mahal, its iconic tourist attraction.**

⇒ **The spread of the coronavirus has placed world economies under stress.** Sweeping and aggressive social distancing measures and working from home have been introduced in India, Europe, USA and other parts of the world. The aim is to save lives, to contain the spread of the coronavirus and reduce pressure on hospitals. This in turn is having a crippling economic domino effect on livelihoods and economies across the world. And as businesses are forced to shut down, unemployment will soar. Also as economies slump governments worldwide will be facing demands of rescue from numerous sectors leading to a rapid worsening in public finances. The already declining Indian economy will suffer also. However, for India and other economies it is too early to estimate properly how damaging the impact will be, and for how long – this depends on how long it takes to deal effectively with the virus. **A silver lining for India is the collapse in oil prices to a 20-year low yesterday. This will partly help to cushion the negative effect as India imports over 80% of its oil needs.**

⇒ **Densely populated South Asia has so far been relatively unscathed compared to many other parts of the world.** But new COVID-19 cases in India, Pakistan and Sri Lanka are accelerating with the total across the region having crossed 700. Six people have died. India accounts for 223 cases and 4 deaths. On 11 March

⇒ **In an urgent further effort to be proactive to slow the spread of coronavirus cases in the country India said it plans to halt any incoming international commercial flights from landing in the country for a week from 22 March.** With a challenged healthcare system and infrastructure in India the decisions, although they may appear draconian, are wise. Western countries are bracing themselves with the daunting possibility that cases affected could be over 50% of the population, although the vast majority of them will only suffer mild flu-like symptom. **But with a population of 1.3 billion in India the numbers needing acute respiratory care in hospitals could prove overwhelming.**

⇒ **So, what other actions has India taken? The Covid – 19 outbreak has been declared an epidemic in several Indian states where provisions of the Epidemic Diseases Act have been invoked and educational institutions and many commercial establishments have been shut down.** India's financial hub of Mumbai, a metropolis of 18 million people, expanded its partial shutdown of offices to government buildings yesterday, with at least half the staff ordered to work from home. **Authority was also given to hospital and airport authorities to stamp wrists of those ordered to self-isolate with indelible ink reading "Home Quarantined" and displaying the date the quarantine ends.**

⇒ **On 18 March, the state of Rajasthan invoked colonial-era laws that prevent the unlawful assembly of four or more people - powers more often used to quell riots.** Similar restrictions were introduced in Noida, a satellite city of New Delhi. **India yesterday also banned the exports of surgical masks, ventilators and textiles used for masks and overalls, while several states introduced curbs on gatherings as coronavirus cases rose.**



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(continued)

⇒ **India's IT ministry has asked media firms to take steps to disable and remove false news related to coronavirus that will likely cause panic.**

⇒ **In a late night address to the nation yesterday PM Modi appealed to citizens to stay home and avoid panic buying and assured them there would be no shortage of essential goods.** Online retailers say they are struggling to keep up with demand as consumers stockpile supplies. "The pandemic has severely affected the economy," said Modi, adding that he has set up a task force to assess the impact. He appealed to citizens above 65 years and children below 10 years to stay at home. **He called for people to be on a day-long self-imposed curfew from 7 a.m. to 9 p.m. on Sunday March 22.**

⇒ **In particular, Modi said that the country's essential service providers like medical professionals, transport service providers and others are doing an outstanding job. He asked all citizens to thank them by clapping and cheering them on Sunday 22 March at 5pm local time from balconies, windows and doorways in a joint public gesture of national gratitude to the essential service providers.**

⇒ **India is planning a rescue package worth \$1.6 billion for the aviation sector, which has seen passenger bookings dry up after the coronavirus outbreak forced countries to close borders.** And brought air travel to an abrupt near-halt. The Finance Ministry is considering a proposal that includes temporary suspension of most taxes levied on the sector, including a deferment of aviation fuel tax. The coronavirus has infected over 200,000 people and caused over 10,000 deaths in 164 nations. Globally, governments are under increasing pressure to rescue airlines that have been forced to park planes and cut jobs as the virus virtually grinds travel to a halt. Airlines globally may need a bailout of more than \$200 billion, the International Air Transport Association (IATA) estimates. Vistara, a joint venture of Singapore Airlines and India's Tata Group, and budget carrier GoAir have suspended their international operations. **IndiGo, India's biggest carrier has suspended most overseas flights and may be forced to park more planes as domestic flights are cut by 25%.**

⇒ **Global aviation consultancy CAPA's India unit said that regardless of any fiscal concessions and support the government may offer, most airlines will have to shrink their operations and the more vulnerable carriers may shutdown.** CAPA estimates that Indian airlines, excluding state carrier Air India, will report losses of up to \$600 million for the January-March quarter. This figure could be worse if demand continues to fall. **"In the absence of serious and meaningful government intervention, such an outcome could**

lead to several Indian airlines shutting down operations by May or June due to a lack of cash," CAPA said in its March 18 report.

⇒ **Global oil prices have fallen around 50% just in March as the impact of the coronavirus pandemic has ruined demand, while supplies are growing following Moscow's refusal to back deeper output cuts at a meeting of the Organization of the Petroleum Exporting Countries and its OPEC+ allies.** The oil price is down 62% year-to-date. Leading OPEC producers Saudi Arabia and Abu Dhabi have said they will increase output while cutting prices, giving big consumers the chance to fill up at discounted prices. **India plans to take advantage of low prices for oil from Saudi Arabia and the United Arab Emirates to top up its strategic petroleum reserves (SPR).**

⇒ **India, the world's third biggest oil importer and consumer, imports about 80% of its oil needs and has built strategic storage at three locations in southern India to store up to 37 million barrels of oil or about 5 million tonnes to protect against supply disruption.** Indian Strategic Petroleum Reserves Ltd (ISPRL) has the responsibility of building up strategic storage to protect against supply disruption. With oil prices at levels indicating very reduced global economic activity and a global recession caused by Covid-19 it makes sense to start topping-up strategic reserves. **Even if oil prices fall even further.**

⇒ **India's Mahindra & Mahindra has started assembling two of its small commercial trucks in Kenya, East Africa's largest economy.** Mahindra has started to assemble its Scorpio Single and double cabin small trucks at a plant in Mombasa, which is on the coast of the country. The plant is owned by its local partner, car retailer Simba Corporation, Mahindra said in a statement. Used car imports from countries such as Japan make up 85% of annual car sales in Kenya, while the rest are locally assembled or brand new imports that have already been assembled. **Mahindra's entry follows other global automakers like France's Peugeot and Germany's Volkswagen both of which announced resumption of local assembly in 2017 and 2016 respectively, after decades-long absences.**

⇒ **The interest in the local new vehicle market by international firms, which also include Swedish truck maker Volvo comes in the wake of the Kenyan government's efforts to attract investment in the sector to create jobs, by offering a range of incentives, including tax sweeteners.** The Kenyan government is also planning to limit the age of second hand vehicles that can be imported into the market as part of the drive to encourage investment in local assembly of new vehicles. **Mahindra plans to use Kenya as a gateway to other African countries in an effort to increase its footprint in the African continent its commercial and passenger vehicles, it said.**



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