

IMD plays down drought fears

Water levels dip further in Maharashtra's reservoirs

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The southwest monsoon is well on course to covering large parts of the country in the next few weeks. This should wipe away fears of wide-spread drought this year because El Niño and the Indian Ocean Dipole (IOD) are still supportive of the rains, the India Meteorological Department (IMD) said on Thursday.

However, water levels in reservoirs did not paint a flushed picture and, in fact, dipped further in Maharashtra, while remaining below normal in Andhra Pradesh.

"I cannot understand why there is fear of drought when the monsoons have not even covered the entire country. Just 10 days of good rains will wipe off the entire deficit," K J Ramesh, director-general of the IMD, told *Business Standard*. Ramesh, who will demit office this year, said he was amazed by all the negative reportage on the performance of the southwest monsoon this year, while scientifically there was no evidence to support such hearsay. "El Niño is in negative territory and no weather model — global or local — indicates any sign of its strengthening during the next two-three months, while the IOD — that could impact Indian monsoon — is in positive territory," said Ramesh, adding he sees no cause for worry.

The progress of the southwest monsoon has been rather sluggish due to the impact of Cyclone Vayu. The cumulative rainfall deficit as of June 20 is around 43 per cent less than normal. The rains, which ideally should have covered parts of Madhya Pradesh, Uttar Pradesh, and Rajasthan, have barely managed to reach Maharashtra in the west coast on Thursday and crossed Bengal in the east coast.

RAIN CHECK

Monsoon departure from June 1 to June 19-20 (in %)

2014	-45
2015	11
2016	-18
2017	4
2018	-7
2019	-43

Water level in major reservoirs as of June 20

(% departure from normal storage)

State	% Departure
Andhra Pradesh	-83
Maharashtra	-71
Tamil Nadu	-43
Kerala	-38
Telangana	-36
Jharkhand	-26
Gujarat	-24
Karnataka	-23
Chhattisgarh	-11

Source: Central Water Commission

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"Farmers should start sowing as soon as their area gets a minimum 70 millimetres of rainfall, which will happen in most parts

For the Big Four network firms restrictions on offering audit services will have a cascading effect on their India business. Between them, the Big Four networks have on their rolls from 12,000-15,000 auditors. They also are the statutory auditors for over 300 of the BSE500 companies (non-public sector enterprises). Corporate India is also keeping close tabs on the developments in the audit industry. Any ban on auditors will mean companies will have to scurry to appoint new ones.

"Where will we get auditors with competence?" asked Nawshir Mirza, an independent director on the board of several blue-chip companies. He is not sure if the second and third rung of auditors — mostly medium- and small-sized ones — has the scale and technical prowess to take up complex audit assignments of large Indian conglomerates. Auditors say their multinational clients in India are not sure how it will pan out for them. Almost all multinational companies prefer to have the same auditor across group companies in various countries.

Auditors in Big Four network firms say they are likely to take a conservative and cautious approach. This may involve shedding some 'risky' clients. "We will be more selective while taking on audit clients," says the head of assurance service of one of the Big Four audit network firms.

Auditors expect there will be a lot more qualifications in their statutory reports. With regulators asking for a more thorough scrutiny of audited accounts, a closer watch on end-use of funds and debt servicing abilities of companies, auditors say this will change the risk-reward equation. "Over time, audit fees are likely to go up," says another auditor. Another concern among the fraternity is that given the high risks associated with practice, there could be a talent crunch. The IL&FS effect will surely dim the halo around the Big Four, says the head of a rival firm. "Big Four is just a tag. The market has space for six to seven large audit firms in India," he adds.

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