Banks seek RBI nod for relief to firms

Need moratorium on loans, say CFOs

DEV CHATTERJEE & ABHIJIT LELE
Mumbai, 19 March

As corporate cash flows feel the impact of the coronavirus (COVID-19) pandemic, Indian lenders are seeking Reserve Bank of India's nod to offer relief to borrowers, and not classify the affected sectors as bad loans in the March quarter.

SBI Chairman Rajnish Kumar said banks were assessing sectors such as aviation, tourism, small transport operators that will be negatively impacted because of COVID-19. "There will some effect on the economy," said he.

According to a source, banks are ready to offer easier credit to small and medium-sized companies that would face maximum pressure in the current quarter as sales falter because of supply chain disruptions and lack of customers.

"We are getting representations from companies to delay loan repayments and we have sought the RBI's clearance for that. As this is a Black Swan event, we think the companies do have a case," said a banker.

A full-time board member of a public sector bank said some forbearance was necessary to three segments that have been hit badly — hospitality, tourism, export-oriented units — like relaxation in treatment of loans as stressed assets. Special funding support should also be considered, he added.

BofA Securities has estimated that a month's shutdown will cost about 50 basis points of annual gross domestic product (GDP) of India. Rating firm Moody's has also warned that corporate cash flows will be hit because of the shutdown in India and abroad and many companies will default on loans.

The bankers are also worried about the fact that growth in credit to the industrial sector has moderated to 1.6 per cent because of single-digit growth in medium and large industries at 2.5 per cent and 1.8 per cent, respectively.

Besides, some of the large sectors that account for around 70 per cent share of the overall industrial credit had negative to slow credit growth, which includes infrastructure, petroleum, chemicals, metals and food processing. Moreover, these large industrial segments accounted for a majority of bad loans in the third quarter, thus, further impacting credit growth.

Corporate finance heads said the pandemic could lead to disruption in the March quarter. "The scenario is very bad. There should be a moratorium on principal repayment for two years and interest for six months for corporates. The net present value of the loans also should also be protected by adjusting the rate of interest," Prabal Banerjee, group finance director, Bajaj group.

The moratorium should be for high risk services sector, including airlines, airports, hotels, malls, multiplexes, restaurants and retailers. "While some affected companies may move to cut cost, these may not be enough because of inflexible overheads and, therefore, their credit profiles could be impaired," rating firm CRISIL warned in a note issued on Thursday.

While COVID-19 might not have a direct impact in some sectors such as steel, gems and jewellery, construction & engineering, and textiles, the current global and domestic economic slowdown will impact demand and realisation.

PHOTO: PTI

Railway passenger traffic catches the flu, declines 28%

SHINE JACOB
New Delhi, 19 March

Coronavirus (COVID-19) may well turn out to be a spoiler for Indian Railways in the current financial year. So far, the number of reserved passengers and the earnings from it has dropped 28 per cent and 24 per cent, respectively, compared to March 2019.

The national transporter has cancelled 155 pairs of trains this week as a step to curb the spread of COVID-19. In the past seven days, the drop in passenger numbers reached as high as 55 per cent and earnings by 47 per cent, respectively, shows the data from Indian Railways.

This will hit annual earnings for 2019-20 that had otherwise shown a growth over the previous year. From April 1, 2019, to March 19, 2020, the reserved passenger numbers had increased 3 per cent over the past year to 596.39 million, while earnings were 5 per cent higher at ₹35,623.1 crore.

Interestingly, the cumulative passenger earnings for the current financial year (till March 10), including passenger reservation system (PRS) and non-PRS, was at around ₹50,161 crore, compared to ₹51,057 crore in 2018-19 (FY19). It was expected that the Railways would surpass last year's earnings. The impact on rail travel started showing earlier this month with March 1-10 passenger earnings at ₹1,360 crore, down 6 per cent, compared to ₹1,442 crore during the same period in FY19.

This would mean that though the Railways may surpass the previous year's target in 20 days, it is unlikely to achieve the revised target of ₹56,000 crore set for 2019-20. For 2020-21, the target has been set at ₹61,000 crore.

Voluntary cancellation by travellers, too, increased in February and March. "Since the past two weeks, we have seen a rise in the number of train ticket cancellations due to the outbreak of COVID-19. In the past two days, we have seen cancellations going up from 37 per cent to 45 per cent and it is continuously increasing," said Dinesh Kotha, co-founder, Confirmtkt, Bengaluru-based online train ticket discovery and booking engine.

Trains to major cities like Delhi, Kolkata, Bengaluru, Hyderabad, and Chennai are the most hit. Routes that have been impacted are Patna-New Delhi, Mumbai-Nagpur, Mumbai-Pune, Tirupati-Secunderabad, Ahmedabad-Mumbai, Bengaluru-Chennai, Chandigarh-New Delhi, and New Delhi-Varanasi. Due to the outbreak, new bookings have also gone down by more than 20 per cent.

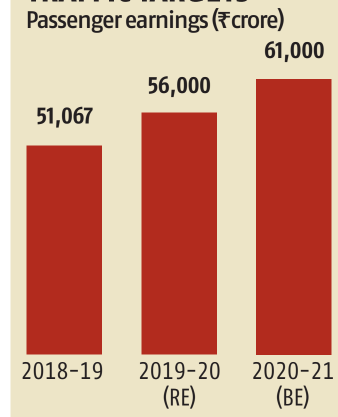
"Since February, there has been 20 per cent increase in cancellations and bookings," added Kotha.

The data shared by online data analysis and booking platform RailYatri also shows a rise of 39 per cent in cancellations so far in March, compared to last year.

In February, there were a total of 103,842 bookings, from which 42,732 got cancelled — this is a cancellation rate of 41 per cent. At the same time, during the same month last year, there were a total of 110,732 bookings and 33,084 got cancelled. This gives a cancellation rate of 30 per cent.

Apart from cancelling of 155 pairs of trains, for which 100 per cent refund will be given, the Railway Board is discouraging people from travelling by suspending concessional bookings for certain categories, except patients, students, and differently-abled categories for unreserved and reserved segment.

TRAFFIC TARGETS
Passenger earnings (₹ crore)



CORONA CONCERNS

- **54.81%** Drop in reserved passenger numbers in the last 7 days vs 2018-19
- **47.02%** Drop in passenger earnings in the last 7 days vs last year
- **₹50,160.57 crore** Passenger earnings (PRS & non-PRS) from April to March 10 2019-20, up 4.47% as against the corresponding period in 2018-19
- **27.81%** Drop in passenger numbers so far in March

Mumbai to suspend AC local train service

Both the Central Railway and Western Railway have decided to suspend the services of air-conditioned local trains in Mumbai from Friday in view of the coronavirus outbreak.

Dabbawalas suspend deliveries

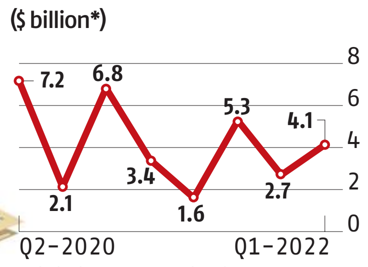
Mumbai's famed tiffin suppliers, the dabbawalas, said they are suspending services till March 31. The move is in response to CM's appeal to not crowd trains. PTI

India Inc overseas debt payments to get costlier

Coronavirus, rupee crash to impact corporate cash flows

DEV CHATTERJEE
Mumbai, 18 March

DUES
($ billion*)



*Includes loans/corporate bonds
Source: Bloomberg
Compiled by *BS* Research Bureau

Overseas loan repayments of several Indian firms, due by March-end or later, will become costlier due to the rupee crash and COVID-19 pandemic, which would impact cash flows of all companies, bankers warn.

Bankers said overseas debt worth several billion dollars of top corporate houses are due to be refinanced or will be repaid in the March and subsequent quarters. "Whatever option the company chooses between refinancing and repayment, it would end up paying more due to the 4 per cent fall in rupee's value versus the dollar since January," a banker said.

Global rating firm Moody's warned that corporate liquidity could face severe pressure if the bond markets remain challenging. "The lack of issuance in recent weeks, combined with an expected sharp weakening of profits, will strain the liquidity of companies in some sectors. Highly-rated companies should be able to withstand a temporary shutdown of the bond markets and maintain alternative sources of funding. Lower-rated companies, with weaker liquidity and near-term bond refinancing, requirements will be at risk," it said.

Bankers said some of the firms may default on their overseas loans as their cash flows get impacted due to falling sales due to the shutdown.

According to Bloomberg data, Indian companies will have to repay overseas debt worth $7.5 billion in the June quarter. Air India has $135 million due next month and State Bank of India has to repay $1.2 billion. Among the large companies, RIL has $550 million loan scheduled for repayment next month.

Financial research firm CreditSights warned in a report that Vedanta Resources, which has consolidated debt of $2 billion maturing by March 2021, may face liquidity crunch and repayment crisis on its dollar bonds. It warned that its unsecured dollar bond holders may see zero recovery if the fall in oil and metal prices persists due to the pandemic and oil crash — which went below $25 a barrel on Wednesday.

A Vedanta official, however, said firm company has not defaulted in the past and has a track record of delivering growth, meeting all obligations to debt holders on schedule. "Vedanta has delivered 15 per cent CAGR (compound annual growth rate) production growth in the past 15 years and is on the cusp of seeing the next phase of strong growth from its world class asset base," said a Vedanta spokesperson.

"Whilst commodity prices have seen a marked sell off in the recent weeks, we have been through these cycles before and are well positioned to weather a downturn. Vedanta's leading cost position means it will outperform on relative margins through any downturn we see. Likewise, we will see some of the highest Ebitda (earnings before interest, tax, depreciation and amortisation) margins in any market bounce back. In the meantime, we run our business with strict capital discipline, our focus is on delivering the best volumes at the lowest cost, in a safe and responsible way," the official said.

(With inputs from Abhijit Lele)

Banks' exposure to travel, hospitality sectors at risk

65 listed firms in travel and tourism sector had ₹30,500-cr outstanding loans in Sept

KRISHNA KANT
Mumbai, 19 March

Lenders' exposure to the travel and hospitality sectors is at risk because of the economic disruption from the novel coronavirus (COVID-19). The 65 listed companies in the sector had combined outstanding loans worth around ₹30,500 crore at the end of September 2019, up 37.2 per cent year-on-year (YoY) compared to the corresponding period a year ago.

The companies had total loan outstanding of around ₹22,200 crore at the end of September 2018.

CORONAVIRUS PANDEMIC

Hotels are the biggest borrowers followed by airlines. Hotel chains such as Indian Hotels, Chalet Hotels, Lemon Tree Hotels, and Asian Hotels (North) accounted for around 50 per cent of the combined borrowings of firms that Business Standard analysed. (See the adjoining chart)

The analysis excluded unlisted large borrowers such as Air India and defunct companies such as Jet Airways, Cox & Kings and Kingfisher Airlines.

Among individual companies, SpiceJet was the most indebted in the industry. The airline had total outstanding debt of around ₹8,800 crore at the end of September 2019, against ₹1,217 crore a year ago. It was followed by Coffee Day Enterprises, which had debt worth ₹6,500 crore at the end of September 2019, up from ₹4,410 crore a year ago; Indian Hotels (₹3,500 crore); and, Mahindra Holidays (₹1,770 crore).

Airlines are facing the brunt of the disruption caused by COVID-19 as countries restrict air travel and travellers themselves cancel holiday plans. A prolonged decline in air travel is likely to hit SpiceJet's finances, given its highly leveraged balance sheet. Its debt of around ₹8,800 crore at the end of September 2019 was backed by a negative net worth of ₹461 crore, putting the airline and its lender in a financially vulnerable position.

In comparison, market leader Interglobe Aviation that runs IndiGo had total outstanding debt of around ₹622 crore at the end of first half of financial year 2019-20 (H1FY20), backed by net worth of around ₹6,200 crore. This gives it a greater resilience to survive the downturn.

In the hospitality or hotel industry, smaller chains such as Lemon Tree Hotels, Asian Hotels (North), and Asian Hotels (West) look more vulnerable to a downturn than their larger peers such as Indian Hotels, EIH and Chalet Hotels. In the first nine months of FY20 (9MFY20), these smaller hotels chains had much lower interest coverage ratio (ICR) — a measure of the company's debt servicing ability — than larger and well established chains.

For example, Lemon Tree Hotels, which reported total borrowings of ₹1,285 crore at the end of September 2019 has ICR of 1.6x compared to 3.3x for Indian Hotels and 6.5x for EIH. Similarly, Asian Hotels (North) reported ICR of 0.6x, which was close to a default, while Asian Hotels (West) had ICR of 1.5x during 9MFY20. A company with ICR below 1.5x is treated by rating agencies as being close to default.

Coffee Day Enterprises could also face financial difficulty. The café chain operator reported total debt of around ₹6,500 crore at the end of March 2019, backed by net worth of around ₹2,530 crore. This translated into an uncomfortably high debt to equity ratio of 2.6x at the end of March 2019.

DEALING WITH DEBT
Borrowings and balance sheet ratio of major airlines and hotel chains

	Total debt	ICR	Gross leverage ratio
SpiceJet	8,794.3	3.9	-10.4
Coffee Day*	6,547.4	2.3	2.6
Indian Hotels	3,503.2	3.3	0.9
Mahindra Holiday	1,772.2	4.8	9.2
Chalet Hotels	1,370.1	2.7	0.9
Lemon Tree Hotels	1,285.1	1.7	1.6
Asian Hotels (North)	1,183.3	0.6	1.7
Asian Hotels (West)	782.6	1.5	7.7
EIH	687.4	6.5	0.2
InterGlobe Aviation	622.2	3.9	0.1
All 65 firms	**30,495.8**	**3.4**	**0.9**

Note: Interest coverage ratio (ICR) during April-December 2019
Gross leverage ratio at the end of September 2019 (H1FY20)
*All numbers and ratio at the end of March 2019
Source: Capitaline
Compiled by *BS* Research Bureau

BofA, CRISIL cut India growth forecast

Brokerage Bank of America (BofA) Securities and rating firm CRISIL cut India's growth forecast on Thursday, in light of the COVID-19 pandemic.

While BofA has sharply cut the June quarter growth forecast by 90 bps to a low of 3.1 per cent and the full-year FY21 GDP target by 100 bps to 4.1 per cent, CRISIL said the pandemic will leave the economy crippled next fiscal year pulling down the growth to a low of 5.2 per cent. CRISIL had earlier forecast the GDP printing in a 5.7 per cent expansion.

The report from economists at BofA comes just a day after they slashed their full-year FY21 forecast by 80 bps to 5.1 per cent.

AGENCIES

Social distancing pushes patients to consult doctors online

SOHINI DAS
Mumbai, 19 March

Social distancing on account of coronavirus has started affecting hospitals and health clinics.

People in larger numbers are opting for virtual consultation because they want to avoid hospitals.

Moreover, with restrictions on visas and arrivals, medical tourism too has taken a hit.

Digital healthcare platform Practo, for example, has seen a jump of three to four times in the number of requests for consultation with general physicians, each of whom in normal times consults 25-30 patients a day. About 53 per cent of e-consultations last week were related to coronavirus.

"It is not possible to handle an increase of this magnitude. Doctors are getting requests from 2-3 am in the morning to 10-11 pm at night. People are consulting doctors even when there are small symptoms. There are those who don't want to visit clinics or hospitals for fear of exposure to crowds," the company spokesperson said.

"We've increased our doctor base by close to 50 per cent in the past four weeks, and have reached out to more doctors and hospitals for using Practo's platform," the spokesperson said.

Practo allows users to share reports and images, and do video calls. It's available 24 hours a day in 20 specialties.

Alexander Kuruvilla, chief healthcare strategy officer, Practo, told *Business Standard*: "Similar symptoms of coronavirus and common cold have made it difficult to distinguish between the two."

Reports indicate the Chinese are turning to online consultation faster than before, he added.

1mg, an e-pharmacy and also a healthcare platform that allows you to book diagnostic tests, etc, has seen a 300 per cent spike in e-consultation for cold and fever-like symptoms since the beginning of March. Contrary to popular perception, calls have been pouring in from all over the country.

DocOnline, another healthcare platform, has seen an expected spike in demand for telemedicine in India. "In DocOnline the number in March has doubled over that of February," said Markus Moding, founder and board member, DocOnline.

While virtual and telephonic consultation has seen a spike, there has been a dip in hospital visits, especially by foreign patients. With visa restrictions, arrivals have slowed. Patients who travel for medical reasons do so for surgery and consultation.

Dilip Jose, chief executive officer, Manipal Hospitals, which gets 6-7 per cent of its patients from overseas, said the patients who were in India were the ones visiting the hospital.

"In April, we would see a big fall in numbers because nobody would be able to plan visits now and people would prefer to wait until things settle down," he said.

The difference between the average revenue per international patient and a domestic one is 7-8 per cent, he said.

While hospitals have not given revenue guidelines for the March quarter on account of losing foreign patients, they said the footfalls would stop.

Alok Roy, chairman of Medica Group of Hospitals, a Kolkata-headquartered group, told *Business Standard*: "We get approximately 1,000 new patients (medical tourists) per month in addition to those who come for reviews and preventive health check-ups. Overall per month we see approximately 4,000 footfalls." They come from Bangladesh, Bhutan, Myanmar, etc.

The hospital chain draws around 8 per cent of its income from medical tourism.

Roy said from 100 footfalls per day, the number had dropped to around six per day now.

Export of masks and ventilators banned: Centre

The government on Thursday prohibited the export of surgical masks, ventilators and also textiles used to make masks. This is in response to a shortage in the country that has risen on account of panic buying. Ventilators are used in hospitals for critical care. Exporters who have delivery commitments would face a challenge.

An industry insider said, "There is not a lot demand for export of ventilators, but I had received urgent delivery requests from Italy, Israel and Serbia. We had directed them to contact the seven identified Indian manufacturers who had over 50 per cent spare capacity but this will put a roadblock to the potential export orders."

Given the supply disruption, the national pricing regulator has sought data from firms on production and distribution. BS REPORTER