

# Markets

FRIDAY, MARCH 27, 2020

### TACKLING CORONAVIRUS

Rajnish Kumar, SBI chairman



Today's package will impart a definite direction to India's fight against the epidemic. Overall, it's a very well-defined package reinforcing gov't's intent that no one should be deprived of basic facilities...We are hopeful of more calibrated responses in coming weeks as the impact of pandemic unfolds.

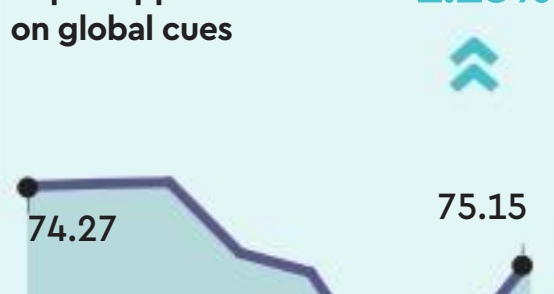
## Money Matters

### G-SEC

Benchmark yield falls due to buying support **0.08%**



Rupee appreciates on global cues **1.25%**



Euro rises against the dollar **0.55%**



## REVIVAL ROAD

# Yes Bank board okays fundraising of ₹15,000 crore

Will decide on changes in senior management positions in the coming days

FE BUREAU Mumbai, March 26

IN THE FIRST meeting after its constitution, the Yes Bank board has approved fundraising of ₹15,000 crore through the issuance of securities, the bank said in an exchange filing on Thursday.

With this move, the private bank's capital raising will add up to ₹25,000 crore in total after the lender's reconstruction. State Bank of India (SBI) and seven other lenders infused ₹10,000 crore in Yes Bank via equity infusion.

Yes Bank's eight-member board, chaired by former Punjab National Bank (PNB) chairman Sunil Mehta, took charge on Thursday.

RBI had appointed former deputy governor R Gandhi and associate professor of SP Jain Institute of Management and Research Ananth Narayan as additional directors in the bank's board.



appointed by the government as non-executive director in the board of private lender. SBI had nominated its deputy managing directors J Swaminathan and Partha Pratim Sengupta to the Yes Bank board.

The new board will also take a decision on changes in senior management positions in the coming days. RBI had earlier notified in the reconstruction plan that the bank's employees would continue to work with the same remuneration and on same conditions for at least a year.

According to sources, Yes Bank will focus on bringing down cost of deposits and may consider reducing savings rate to below 6%. There was a sharp reduction in the bank's total deposits from ₹2.09 lakh crore in September 2019 to ₹1.37 lakh crore till March 5, 2020.

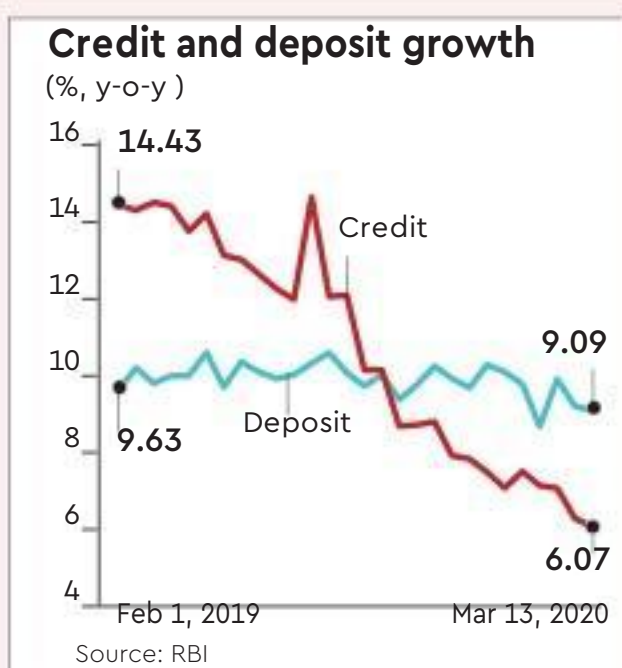
## Non-food credit growth lowest since May 2017

HARIPRASAD RADHAKRISHNAN Mumbai, March 26

THE NON-FOOD CREDIT growth in the banking system for the fortnight ended March 13 stood at 6.07% year-on-year (y-o-y), the lowest since May 2017.

The year-to-date (YTD) credit growth between March 31, 2019, to March 13, 2020, stood at 3.64%, against 10.72% a year ago.

The central bank has conducted auctions for long-term repo operations (LTROs) totalling ₹1.25 lakh crore, which has reduced the cost of borrowing for banks.



Further, a number of measures, including cash reserve ratio exemption on incremental lending to the auto, housing and MSME, by the RBI has yet to translate into significant credit growth. The liquidity in the

banking system stood at ₹2.17 lakh crore as on March 20, said CARE Ratings.

The deposit growth in the banking system continues to be steady at 9.09% y-o-y, down 22 bps from the previous fortnight.

Owing to the Covid-19 pandemic, the credit growth is expected to take a further hit. Rating agency Icmr said the y-o-y credit growth is estimated at 5-6% for FY20, which would be a multi-decadal low.

In a bid to reduce the stress of borrowers due to the pandemic, a number of public sector banks have extended emergency credit lines at softer terms that could help improve the credit growth in the system.

## Lockdown set to hit NBFCs hard: Icmr

FE BUREAU Mumbai, March 26

THE 21-DAY LOCKDOWN across the country is set to hit non-banking financial companies (NBFCs) hard as small business owners and low-income households find it hard to service their loans.

FE had reported on Thursday that repayments have already begun to dry up in customer segments where loans are serviced in cash, such as by owners of some commercial vehicles. NBFCs largely cater to the self-employed borrower segment in the retail space, where the cash flows are expected to be more volatile in the current situation compared to their salaried counterparts.



funding constraints and an expected increase in delinquencies, are likely to focus more on collections at least in the near term," Icmr analysts said in a report.

Stating that the affordable housing loans where the borrowers have limited ability to absorb major financial shocks, the report observed that such loans are more likely to come under pressure. However, a significant impact is likely to be visible only from April 2020, given that collections for March 2020 would have largely happened in the initial ten days of month.

As for the already-stressed SMEs, a fall in the income levels for a prolonged period could adversely impact the borrower's debt-servicing capability. Thus, the asset quality issues are expected to aggravate

further in March 2020 and would remain an overhang on the segmental performance in the near to medium term.

In the corporate category, loan to real estate developers could come under stress as new home sales are likely to slow down, with buyers delaying their purchase decisions.

While MFIs have largely moved to cashless disbursements, collections continue to be made mostly through cash, which would be impacted by the limits imposed because of Covid-19. "Some parts of the country like Assam, parts of Karnataka, Maharashtra, etc, are already facing higher delinquencies because of political or adverse weather conditions.

## Quick View

### ESAF SFB receives Sebi nod for IPO

KERALA-BASED ESAF SMALL Finance Bank has received the nod to float an IPO. Sebi issued the final observations to the proposal on March 20, 2020.

### 10 IPOs in March quarter; median deal size just \$1 m

THE COUNTRY SAW 10 initial public offerings worth \$1.41 billion in the first three months of this year but the median deal size was just \$1 million.

## INTERVIEW: A BALASUBRAMANIAN, MD & CEO, Aditya Birla Sun Life AMC

# 'Corporate bond market should stabilise as we enter the new financial year'

A lack of buying interest has pushed up corporate bond yields in recent times as institutional investors continue to remain on the sidelines following the Covid-19 lockdown.



How much credit crunch has the current scenario brought in? Where are corporates turning to for funding needs with corporate bond market so sluggish?

When do you see primary bond market issuances coming back to normal? And how difficult will it be for sub-investment grade bonds to be issued then?

MFs are facing redemption pressures and the only trading activity that funds are involved right now seems to be to manage those redemption requirements.

How are you managing the scenario? MFs' redemption pressures are generally bound to occur each year before fiscal end. Purely on the basis of our experience,

## PSBs launch Covid emergency credit lines

FE BUREAU Mumbai, March 26

SEVERAL PUBLIC SECTOR banks have rolled out emergency lines of credit with softer terms to borrowers affected by Covid-19, after finance minister Nirmala Sitharaman announced a number of measures to tide over the crisis.

For instance, Bank of Baroda, the country's second largest public sector lender, would be offering up to 10% of the existing fund-based working capital limits, subject to a maximum of ₹200 crore.

linked lending rate of 8%. All standard accounts as on March 26, 2020, and till the date of sanction are eligible for loan under this scheme.

Union Bank of India also launched its additional working capital facility to all standard accounts as on February 1, while accounts turning to SMA1/SMA2 post this date will also be eligible.

with competitive rate of interest (8% fixed rate of interest i.e. 1 year MCLR as on date)," the lender said.

Meanwhile, a number of other banks, including Canara Bank, Indian Overseas Bank, Bank of India, Uco Bank and Indian Bank, have also announced the launch of the emergency lines of credit.

## Insurers roll out coronavirus cover

FE BUREAU Mumbai, March 26

FUTURE GENERALI INDIA Insurance Company (FGII) announced on Thursday the launch of a group insurance product for coronavirus.

The product offers cover for everyone from a one-day-old infant to a senior citizen of up to 75 years of age. Shreeraj Deshpande, chief operating officer, Future Generali India Insurance, said, "It is very important for all of us to come together and protect the citizens against this virus infection.

A few days ago, Star Health and Allied Insurance had launched 'Star Novel Coronavirus Insurance Policy', a benefit policy to cover all those who test positive for Covid-19 and require hospitalisation.

The Star Novel Coronavirus policy is available under two sum insured options of ₹21,000 and ₹42,000 at premiums of ₹459 plus GST and ₹918 plus GST, respectively.

## ANALYST CORNER

# Voltas' concerns shift to demand from supply side

MOTILAL OSWAL

WE HOSTED A concall with Voltas' management for an update on the ongoing situation due to the Covid-19 lockdown. While the management sounded optimistic, we note that concerns have shifted from supply to demand side going into the summer season.

Volta is adequately covered with respect to supplies in RACs till April end. Inventory in channel stands at 55-60 days, which is adequate for the peak summer season. Demand side risks have emerged on account of delayed summer, coupled with Covid-19 lockdowns.

# Revise IHCL target price to ₹139, Lemon Tree's to ₹53

EDELWEISS

THERE SEEMS TO be no respite for the sector as Covid-19 triggered travel ban on foreign tourist arrivals till April 15 and massive lockdowns has exacted a heavy toll on the industry.

lifting of lockdowns and does not expect the entire washout of summer season demand. Mitigation plan if lockdown persists longer: Voltas will adhere to cost-saving measures like cutting ad-spends (can be 3% of sales in peak season).

International order book stood at ₹2,100 crore, with Voltas receiving a large order from Qatar in Q3FY20. Execution of the Qatar order has begun with no intimation from the government on shutdown. Domestic projects have shut down with most of the migrant workforce going back to their native places.

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FY21E Ebitda 23% with revised TP of ₹139 (₹171 earlier) and Lemon Tree's ('buy') FY21E Ebitda 14%. We are also increasing Lemon Tree's cost of capital with revised TP of ₹53 (₹65 earlier).