Export sector may see 15 mn jobs go, NPAs rise: FIEO

PRESS TRUST OF INDIA
NEW DELHI

About 15 million people face job losses in India's exports' sector following cancellation of over half of the orders and a gloomy forecast for global trade due to the COVID-19 pandemic, exporters' body FIEO said.

Seeking immediate announcement of a relief package for exports, Federation of Indian Export Organisations (FIEO) President Sharad Kumar Saraf said fine balancing is required between life and livelihood, as opting for only one can be disastrous for the country.

He said that exporters were left with "very" few orders and if factories were not allowed to work with a minimum workforce, many of them will suffer "irreparable losses" which will bring them to the brink of closure as they were saddled with fixed costs that, in any case, had to be absorbed by them.

"With cancellation of over 50% of the orders and a gloomy forecast for the future, we expect 15 million job losses in exports and rising NPAs (non-performing assets) amongst exporting units, hitting the economy very badly," he said.

"We are losing markets to China. All orders are going to China as they have resumed work. It will be very late if we don't start our factories now," he said.

Bank credit shot up just before lockdown

Loans grew by a whopping ₹2.31 lakh crore in the fortnight ended March 27, RBI data showed

SPECIAL CORRESPONDENT
MUMBAI

Bank loans grew by a whopping ₹2.31 lakh crore in the fortnight ended March 27, indicating robust loan demand just when a nationwide lockdown was imposed to contain the spread of COVID-19, according to the RBI.

This was probably the highest fortnightly loan growth recorded in financial year 2019-20. The lockdown, that paralysed the economic activity, came into effect on March 25.

Soumya Kanti Ghosh, group chief economic adviser, SBI, had said in a report that the banks have witnessed a healthy credit demand in the last seven days of the financial year 2019-20.

"The good thing is that banks have witnessed good traction in credit (term and working capital requirements) in the last seven days of the year ending March 31, 2020," Mr. Ghosh said in the report. "It seems companies/corporates are preparing themselves for a surge in demand after the lockdown period," he added.

Rising numbers

RBI data shows that credit growth for the year ended March 27 was 6.1% - one of the lowest in many years. Credit growth for the previous year was 13.3%

For fortnight ended	Variation (₹ cr.) Credit	Deposit
Mar. 27, 2020	2,31,440	2,31,883
Mar. 13, 2020	35,627	12,871
Feb. 28, 2020	62,397	1,05,410
Feb. 14, 2020	-63,491	-88,464
Jan. 31, 2020	98926	1,97,560
Jan. 17, 2020	-30,686	-83,893
Jan. 3, 2020	99,728	20,5578
Dec. 20, 2019	12,519	-97,401
Dec. 6, 2019	74,437	1,47,366
Nov. 22, 2019	14,541	-39,224
Nov. 8, 2019	6,954	20,505

Source: RBI

Incremental offtake

The report had estimated the incremental credit offtake would have been ₹2,10,000 crore in March of which agriculture demand would have been ₹10,000 crore, industry ₹1,20,000 crore, services ₹60,000 crore and personal loans ₹20,000 crore.

> It seems companies are preparing for a surge in demand after the lockdown period
>
> SOUMYA KANTI GHOSH
> Group CEA, SBI

"Clearly, the tide seemed to have turned as far as bank credit is concerned in March," the report said.

Credit growth at nadir

Latest data released by the Reserve Bank of India (RBI) showed, credit growth for the year ended March 27 was 6.1%, one of the lowest in many years. Credit growth for the previous year was 13.3%. Deposit growth during the reporting fortnight was ₹2.31 lakh crore while the growth for the year was 7.9% compared with the 10% recorded in the previous year.

The central bank had also said that there were signs of growth picking up, in the monetary policy report released on Wednesday.

"Prior to the outbreak of COVID-19, the outlook for growth for 2020-21 was looking up," the RBI said as it cited the bumper rabi harvest, transmission of monetary policy rates and reduction in GST rates.

"The COVID-19 pandemic has drastically altered this outlook," the central bank added while refraining from providing any forecast on growth due to the uncertainties on how long will be the pandemic will continue.

Saudi, Russia want oil cuts finalised at G20 talks

But, Mexico refuses to sign up in full

REUTERS
DUBAI/MOSCOW

Top oil nations were finalising a deal at G20 talks on Friday for big output cuts to lift prices slammed by the COVID-19 crisis with Russia and Saudi Arabia taking a lion's share and signs the United States might take unprecedented moves to help.

Riyadh, Moscow and its allies, which make up the informal OPEC+ group, had forged a pact to curb crude production by the equivalent of 10% of global supplies in marathon talks on Thursday and said they wanted others to cut a further 5%.

But efforts to conclude the OPEC+ deal hit the buffers when Mexico refused to sign up in full. However, the Mexican President said Donald Trump had told him he might make cuts on Mexico's behalf, even though the U.S. President has given no public indication Washington would join in the cuts and has instead threatened Saudi Arabia with tariffs and other measures if it did not resolve the oil market crisis.

Major oil markets were closed on Friday as the G20 energy minister held a video conference, hosted by Saudi Arabia, but prices failed to rally after Thursday's cuts.

Moratorium on repayment puts NBFCs in a spot

Institutions can't postpone repayments to banks: Crisil

SPECIAL CORRESPONDENT
MUMBAI

Non-banking financial companies (NBFCs) may face a tough time following the Reserve Bank of India's recent directive on providing a moratorium on repayment.

This is because though these entities are providing moratorium to their customers, they still have to continue repaying banks and other borrowers. NBFCs are highly dependent on banks for funding.

"NBFCs face a double whammy because they are offering moratorium to customers despite not getting one themselves from their lender-banks. That will put a significant pressure on the liquidity profiles of many NBFCs," Crisil said.

According to Crisil, liquidity pressure will increase for almost 25% of the Crisil-rated NBFCs if collections do not pick up by June 2020.

These NBFCs have ₹1.75 lakh crore of debt obligations maturing by then.

"With collections being minimal and the moratorium [applicable] only for their borrowers, raising fresh funds is critical, especially because NBFCs, unlike banks, do not have access to systemic sources of liquidity and depend significantly on wholesale funding," it said.

Crisil said while ₹1 lakh crore has been made available through the RBI's targeted long-term repo operations (TLTRO) window, only half of that is earmarked for primary issuances.

"Also, an expected scramble for funds means corporates and government-owned financiers will also be interested in this window. Consequently, only higher-rated NBFCs may end up benefiting," it said.

Crisil said that while larger and better-rated NBFCs may still be able to manage the situation, smaller or lower-rated NBFCs, which have significant dependence on bank funding, will find the going extremely tough.

Half of stores shut, footfalls drop: D-mart

PRESS TRUST OF INDIA
NEW DELHI

Avenue Supermarts, which owns and operates retail chain D-mart, said operations of half of its stores are closed, following the directions issued by authorities amid the lockdown.

The company is retailing only essential items from the operating stores and average footfall is "significantly lower than usual" due to several restrictions imposed by the authorities, Avenue Supermarts said in an update on business operation to bourses.

"Nearly 50% of our stores remain closed based on a directive by the local authorities," it said. The firm has presence in 206 locations via D-mart stores.

Removal of tariff ceiling may revive investment in renewables

Solar energy producers to get leeway to factor in higher risks

SPECIAL CORRESPONDENT
MUMBAI

The Centre's decision to remove the tariff ceiling from renewable energy tenders will give the beleaguered industry a much-needed leg-up. Capacity addition in renewables dropped to 9 GW in fiscal 2019, compared with 11-12 GW over the 2017 and 2018 fiscals, and remained subdued through fiscal 2020 as well.

The allocation rate fell from almost 75-80% over fiscals 2016 and 2017 to 35-40% over fiscals 2018 and 2019, and is likely to be even lower at 20% in fiscal 2020.

Miren Lodha, director, Crisil Research said, "We estimate an incremental fillip of 6-7 GW from the removal of tariff ceiling over the medium term. Solar energy developers will now have the leeway to factor in higher risk in cases where the counter-party has a weaker profile, irradiance is low, or there are other execution hurdles. This will allow for higher bid tariffs and improve subscription to tenders, though positive impact is expected to materialise only after the pandemic ends."

Crisil Research, however, expected solar weighted average tariff to remain in the current ₹2.50-2.60 per unit range as lower module cost, larger scale of projects, and continued tendering activity in the segment continue to spur competition among players.

As for wind energy tenders, though tariffs have remained sticky at the ₹2.8 per unit mark, viability remains a concern as the sector grapples with execution challenges on the ground.

'Post-pandemic period will see turnaround in job market'

Healthcare, pharma, biotechnology will be 'sunrise' sectors

LALATENDU MISHRA
MUMBAI

Once the COVID-19 dust settles down, a new order will emerge in the job market, analysts say. Several new jobs in the field of health and hygiene and technology may come up.

According to HR firms, gaming, over-the-top (OTT) services, work-from-home virtual team, project management software, e-commerce and edutech segments would see a steady increase in business.

"There will be hot jobs in these sectors," Francis Padamadan, senior director, RPO & BPS Practice, APAC, KellyOCG, said.

"Virtual medical tourism could take off to provide psychological aid and faster therapeutic healing to patients. Services and health sectors will see a spike," he said. He said there will be increased demand for contract employees across delivery services, fulfilment centres and contact centres to manage and support disaster management activities, sanitisation and cleaning work. But companies will have full-time employees in their core areas and across IT digital skills, online marketing and content writing.

COVID-19

Microbiology and biotechnology, as segments, are expected to take off, as every organisation would require the services of such people to advise and sensitise staff on microbes and how to deal with infections. Such people will also be required for research by pharmaceutical companies, they added.

Jyoti Bowen Nath, managing partner, Claricent Partners said, "While start-ups and small to mid-sized companies have been badly hit by the crisis, the large cash-rich business houses are also facing the brunt."

However, pharma, medical equipment companies, and the whole digital and e-commerce segments are possibly the new 'sunrise' sectors as they are the need of the hour, she added.

Sashi Kumar, MD, Indeed India said, "As the job market slows down in the wake of a global pandemic, essential services such as medical and public health continue to drive demand. Despite the slump in the sector, healthcare continues to be one of the foremost drivers of economic growth."

Merged banks get time on bancassurance agreements

SPECIAL CORRESPONDENT
HYDERABAD

Insurance regulator IRDAI has allowed the four banks, emerging from the recent mega bank merger exercise, to continue for a year with existing bancassurance agreements of the lenders that amalgamated with them.

"The acquiring bank may continue arrangement with more than three entities in each of the life, general and health categories of insurers for a period of 12 months from the date of merger by transfer of the existing insurance arrangements of the acquired banks to their name," the regulator said.

This exemption allows only for transfer of existing insurance arrangements of acquired banks to the acquiring banks and should not be construed as permission by the Authority to enter into new arrangements with other insurers, said a communication to heads of the banks concerned from IRDAI Member (Life) K.Ganesh.

The communication applies to Punjab National Bank, Canara Bank, Union Bank of India and Indian Bank that, on April 1, had a few banks merging with them as part of a government plan to create larger banks.

As per bancassurance regulations, a bank can only market three life, general and health insurance companies' products. The banks that have been merged with them also had bancassurance business.

The IRDAI eventually wants the acquiring bank to retain the existing certificate of registration to act as a corporate agent and surrender COR(s) held by acquired banks by submitting written request to the Authority.

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Union Bank reverses charges

SPECIAL CORRESPONDENT
MUMBAI

State-run Union Bank of India has reversed the amount deducted by the bank due to non-maintenance of minimum balance by a migrant worker.

The lender reversed the funds after some users pointed out in social media that a seasonal migrant worker, having an account with Union Bank, was in need for funds and ₹800 was transferred to the person's account. However, the bank deducted most of the amount deposited under the category, 'general charges and recovery.'

"When the matter came to our notice, we reversed the money that was debited," a senior official from the bank said.

IT firms' Q4 profits likely to be impacted by virus

Billing, utilisation to see impact: MOFSL

PIYUSH PANDEY
MUMBAI

Fourth quarter (Q4) profits of leading Indian information technology (IT) firms are likely to be impacted due to the disruptions caused by the pandemic outbreak.

Motilal Oswal Financial Services said it expected IT firms' revenues to grow 6%, earnings before interest and tax to grow 4% and profits to fall by 2% in Q4.

"The second half of 4QFY20 witnessed varying levels of COVID-19 disruption across most of core markets of IT companies like the U.S. [and] Europe. Not all service offerings are amenable to be delivered from home for a variety of reasons. In conjunction with lower productivity, both billing and utilisation in Q4 should witness impact," MOFSL said in a research report.

Jefferies equity research said discussions were likely to be dominated by COVID-19 in the results season, though its impact on Q4 performance and bookings is likely to be limited in most cases.