IN BRIEF

ZEE invests ₹522 crore in tech subsidiary Margo Networks

Media major Zee Entertainment (ZEE) has invested ₹522 crore in tech subsidiary Margo Networks, which offers streaming and advertising services under the 'SugarBox' brand name. ZEE owns 80 per cent in Margo. The additional investment will be used for operational and financial support. "Our investment in SugarBox gives a strong fillip to our overall digital business, sharpening its approach by many folds. The unique technology will enable us to serve content to consumers across the nation, without being restricted by connectivity constraints," said Punit Goenka (*pictured*), managing director and chief executive officer, Zee Entertainment. **BS REPORTER**

TCS to announce FY20 results on April 16

Tata Consultancy Services (TCS) on Friday said it will announce its fourth-quarter and FY20 results on April 16. "...a meeting of the Board of Directors of TCS is scheduled to be held on Thursday, April 16, inter alia to approve...the audited financial results of the company under Indian Accounting Standards for the year ended March 31," TCS said. **PTI**

ITC launches liquid hand sanitizer amid Covid-19

Cigarettes-to-hotels major ITC has launched a liquid hand sanitizer under the Savlon brand. Priced at ₹250 for a 500 ml bottle, ITC claimed the formulation offers both quick and persistent action and helps protect against many enveloped & non-enveloped viruses in addition to 99.99 per cent bacteria & fungi. **BS REPORTER**

Vijay Mallya gets bankruptcy reprieve from UK High Court

In a relief to liquor baron Vijay Mallya, the High Court in London has deferred hearings on a plea by the SBI-led consortium of Indian banks, seeking the indebted tycoon to be declared bankrupt to enable them recover a loan of around £1.145 billion from him. **PTI**

Telecom infra firms ask BSNL to clear ₹1,500-crore dues

Telecom infra firms have asked BSNL to immediately clear ₹1,500 crore dues for continued services. Telecom infrastructure firms have asked state-run firm BSNL to clear dues totalling ₹1,500 crore on urgent basis, saying they are unable to meet critical expenses necessary for maintaining network. **PTI**

Gujarat-based Inali to develop affordable ventilator prototype

Inali, known for building low-cost bionic prosthetic limbs using 3D printing technology, is working with Dassault Systèmes to develop a safe and affordable "smart ventilator" that could be quickly manufactured and deployed for emergency use to help with severe cases in the Covid-19 pandemic. The development of the ventilator took less than eight days and costs only $200 (₹15,000). **BS REPORTER**

Prosus commits ₹100 crore for PM CARES Fund

Prosus, backed by global consumer Internet group of Naspers, has committed ₹100 crore to the Prime Minister's Citizen Assistance and Relief in Emergency Situations (PM CARES) Fund. Prosus has been an investor in India since 2005 and counts Byju's, Honor, iFood, LazyPay, letgo, Meesho, OLX, PayU, Red Dot Payments, Swiggy, and Udemy among those it has either invested in, built or acquired **BS REPORTER**

Finances down but Air India still afloat, says Rajiv Bansal

Air India chief Rajiv Bansal (*pictured*) on Thursday said that the "crippling effect" of coronavirus has further plummeted the airline's finances to a "precarious" position but despite that, it has managed to stay afloat. Bansal also assured the employees of providing all the "essential armoury" in carrying out evacuation. "Air India has been passing through a critical financial condition much before the Covid-19 onslaught. The crippling effect of the pandemic, especially in the aviation sector, has further plummeted our finances to a precarious position. In spite of this, your airline has left no stone unturned to continue to remain afloat," Bansal said in a message to Air India employees on Thursday. **PTI**

Bidders jittery over Covid-19 impact on bankrupt companies

Seek legal advice, want force majeure clause included in new contracts

DEV CHATTERJEE
Mumbai, 10 April

The bidders of bankrupt companies are going back to the drawing board on their offers submitted to the lenders and are seeking legal advice whether they can withdraw or modify them. The bidders say the Covid-19 pandemic has changed the business environment and they will now make lower offers.

As the contracts with banks did not have the force majeure clause so far, the bidders also want it to be included in the new contracts henceforth. "Some of the ongoing cases like Lavasa Corporation, Dewan Housing, and Reliance Communications are still pending for resolution and we will see several bidders backing out or making lower offers," said a banker involved in the Insolvency and Bankruptcy Code (IBC) process.

However, the cases that have already received the NCLT approval, for example the JSW's acquisition of Bhushan Power, the bidders will not be able to re-negotiate.

Bidders said falling economic growth, a weak rupee coupled with lower customer demand will make it difficult for them to turn around companies. "All the projections will have to be remade. The bidders who have not won any mandate so far had a lucky escape."

Due to Covid-19, a bidder said several steel plants taken over by new owners were now either shut down or were operating at a very low capacity.

"All the internal projections made by the bidders on revenues and profits have gone haywire and some of them will have to retrench people and cut salaries," said former chief executive of a steel company. "The Covid-19 pandemic will bring down the valuation of all assets that have not seen a resolution so far," he said.

CORONAVIRUS PANDEMIC

The pandemic has changed the business sentiments with several analysts expecting Indian economy to grow at a lower level. Global bank UBS expects India's real GDP growth to slow sharply to 2-2.5 per cent in the June 2020 quarter, from 4 per cent on a year-on-year basis in the March-20 quarter. If the efforts are successful in getting the virus under control over the coming weeks, the recovery should begin to gather steam from the second half of current financial year but this projection depend on the efficacy of the policy stimulus in supporting economic activity, it said.

Bidders said there was ambiguity in the insolvency law about the force majeure and business disruption clause. "Unless some companies have included force majeure clause in their offers, the others will find it difficult to go back on their offers," said head of an asset reconstruction company asking not to be quoted. "But bidders have already indicated that they will not be able to stick to the offers made till date," he added.

According to IBBI data, since the coming into force of the insolvency law with effect from December 1, 2016, as many as 3,312 companies faced the proceedings till December 2019. Of these, 246 cases have been closed on appeal or review or settled while 135 have been withdrawn. Close to 780 have ended in liquidation and 190 have ended in approval of resolution plans. About 1,961 cases are still under active negotiations.

CHANGE IN PLANS

- Bidders worried over worsening economy
- Want to make changes in bids already made to CoC
- Banks ready to re-negotiate
- New offers to reduce cash component of offers
- RCom, Lavasa, DHFL to see revised offers

India Inc opting for moratorium on debt

AMRITHA PILLAY
Mumbai, 10 April

In an indication that India's high-rated companies are preparing for the long haul, they are opting for a moratorium on debt servicing. Experts say the focus is on preserving liquidity as there is uncertainty over the duration and impact of the 21-day nationwide lockdown imposed to check the spread of Covid-19.

The list of companies opting for the moratorium includes those that are part of reputed conglomerates and enjoy relatively higher financial stability. Tata Power, for instance, plans to accept the moratorium. "We will be availing of the moratorium offered by banks extending the period by three months for repayment of loan and interest cost," Tata Power told *Business Standard* on Thursday.

The Reserve Bank of India (RBI) allowed lending institutions to offer a moratorium of three months to borrowers on the payment of term loan installments due between March 1 and May 31 with continued interest accrual during this period. This was done to help borrowers — companies and individuals — to cope with the financial disruption caused by Covid-19 and the lockdown.

"We are seeing even high-rated companies accept the moratorium to preserve liquidity, some of these are subsidiaries of big conglomerates," said Ratnam Raju, associate director, group head of infrastructure and project finance at CARE Ratings.

Executives from the rating industry, who have been receiving notifications from companies, say some companies with ratings as high as 'AAA' are also accepting the option. Companies enjoy a higher rating for their capabilities to service debt in a timely manner.

For JSW group, a few companies in the group have accepted moratorium as per industry sources but a senior company official said "not true fully" indicating not the entire group on all facilities from all banks.

There are some outliers. Larsen & Toubro, according to a top official, will not opt for the moratorium. A spokesperson for Aditya Birla Group did not offer any immediate comment on whether group companies would opt for the moratorium.

A query to the Adani Group remained unanswered, an executive for its transport subsidiary, however added, "The company has not yet taken any disbursements from banks for its road and water projects".

Rating executives say the uncertainty is driving companies to accept the higher cost of borrowing (as interest may compound). One executive pointed out that a company with ₹2,100 crore cash on its books was also accepting the moratorium.

"Slightly higher cost of debt is of a lesser concern, more important is to maintain sufficient liquidity," said Rajat Bahl, chief ratings officer, Brickwork Ratings. He said the number of companies opting for it was going to be in the hundreds if not thousands.

In terms of business, most feel those dependent on periodic rentals are more inclined to accept the moratorium. "Companies with an exposure to monthly rentals like commercial real estate as well as toll companies are also opting for it. The focus currently is to hold on to liquidity," said Shubham Jain, senior vice-president and group head, Icra.

In addition, companies operating in sectors like airlines and hospitality — worst hit by Covid-19 — are also opting for the pause. "Revenues for these sectors have already been impacted. In sectors like power generation, companies are opting for it (moratorium) and are looking at conserving cash. This is across the spectrum — public and private sector. No one knows when this logjam will end and most want to keep more liquidity than normal," said Sachin Gupta, senior director, CRISIL Ratings.

INDIA INC & MORATORIUM

"We are seeing even the high-rated companies accept the moratorium on loan payments in a bid to preserve liquidity. Some of these are subsidiaries of big conglomerates"

RATNAM RAJU,
Associate director (Group head of Infrastructure and project finance) at CARE Ratings

"We will be availing the moratorium offered by banks, extending the period by three months for repayment of loan and interest cost"

TATA POWER
in a company statement

"No one knows when this logjam will end. Most want to keep more liquidity than normal"

SACHIN GUPTA,
Senior director, CRISIL Ratings

Auto manufacturers face second-hand challenge

SURAJEET DAS GUPTA
New Delhi, 10 April

Car manufacturers and dealers will have to brace for fresh challenges from the second-hand market amid the coronavirus (Covid-19) outbreak.

The second-hand vehicle segment is expected to capture a larger share of the two wheeler and passenger car markets. This is because consumers are postponing their purchases owing to a dent in their pockets.

These are some key findings by PwC, which made a presentation to members of the Society of Indian Automobile Manufacturers (SIAM) this week to discuss the impact of Covid-19 on the sector.

Now, automotive original equipment manufacturers will have to strengthen their pre-owned vehicles business.

Also, shared mobility services (like Uber and Ola) will remain subdued in the coming months with consumers preferring to have their personal mode of transport. This will provide a window for passenger cars to show strong growth post recovery.

PwC predicted that in a realistic scenario, the auto industry will see a delayed recovery sometime in the fourth quarter of FY21. But its pessimistic projection is for Q1 FY22. It has also predicted pay cuts, temporary job losses and poor consumer sentiment.

PwC has warned SIAM of steep fall in sales in FY21 – 18 per cent for two wheelers, 12 per cent for passenger cars and 21 per cent in the case of commercial vehicles.

It points out that the commercial vehicles segment is already carrying excess capacity (GST impact and lower axle lading movement of goods due to the weak economy). With logistics disruption likely to continue in hot zones and customers in no mood to invest, this sector will show a delayed recovery, said PwC.

PwC also predicted that there will be a sharp downgrading by buyers — consumers who buy passenger cars or two wheelers will go one segment lower. But one good thing it said is that online sales will now grow across the auto sector. Also, rural market recovery will be slower than urban. This will have repercussions on sale of two wheelers.

Also, the consultancy firm said Indian consumers are expected to show the same behaviour as China where preference for taxis and car hailing went down by 15 per cent post Covid-19.

Even public transport was hit with a 3 per cent decline in preference among users.

The presentation also estimated that global supply chain disruption impact on auto companies would continue for over six months. According to estimates, the top five at risk in auto components constitute nearly 79 per cent of all component imports (by value) in India.

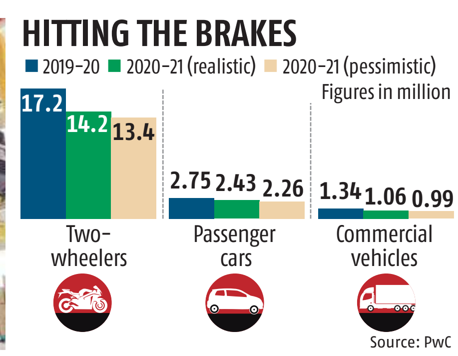
As much as 31 per cent of components come from countries that are at high risk, including China, Germany and South Korea.

PwC also points out to some key factors, which will impact automotive demand over FY21.

It is to be seen whether OEMs will defer launches and whether they will offer high discounts as well as pass on the BS-VI cost increase to consumers.

Another thing to watch out for is whether vehicle financing costs will come down sharply.

Also, a key factor would be what sops the government offers to the industry to reduce taxes and duties.



With OPD footfall plunging, pvt hospitals battle for survival

SOHINI DAS & GIREESH BABU
Mumbai/Chennai, 10 April

AK Kaushik, who heads a group of hospitals around Varanasi, says he is finding it difficult to pay his staff salaries on time now. Out-patient department (OPD) footfall has stagnated, so have elective procedures. Patients are avoiding hospital visits as much as possible.

"I have a staff of 600 people across my three hospitals in Varanasi, Gopiganj and Mirzapur. I am now finding it difficult to pay their salaries on time with such a huge shortfall in revenues," says Kaushik.

From OPD to in-patient department (IPD) or admissions, the conversion rate is roughly 10-12 per cent for the industry. With OPDs down, there are hardly any admissions. Private hospitals, especially smaller standalone ones, are staring at a crisis that they were not prepared for. Analysts say larger corporate chains have to brace up for at least six months for business to return to normal.

Edelweiss analyst Ankit Hatalkar said while the impact of the disruption was sudden, it is likely to last till India's coronavirus disease (Covid-19) cases are brought under control. "There is no accurate way to guess timelines on that, but suffice to say that business as usual for hospitals may be a distant scenario. With OP occupancies, particularly for elective surgeries, now at an all-time low, we believe procedure pipelines are likely to remain dry through H1FY21 (first half of financial year 2020-21) and earnings will remain subdued through FY21."

On top of this, lack of preparation to equip their staff to handle Covid-19 patients, is forcing hospitals to shut down.

Sample this: In the past 24-hours at least two city hospitals, one in Tardeo (Bhatia Hospital) and another in Mulund (Spandan) shut down after patients there tested positive. At Spandan, for example, around 65 doctors and nurses have been quarantined. In Mumbai, major hospitals like Wockhardt and Jaslok have already been declared containment zones. Ironically, both were designated centers for treating Covid-19 patients.

"Hospitals first need to invest in personal protective equipment (PPE) kits for staff, whether or not they are treating Covid-19 patients. These kits come for at least ₹1,800 or so per unit, and that is why smaller hospitals are shying away or are re-using kits. Some are wearing the same kit through the day during which period they attend to multiple patients. It is a disaster in the making," said the owner of a private hospital, who did not wish to be named.

Private hospitals are seeking a stimulus package or some form of support from the government to sail through the crisis.

There has been a 50 per cent decline in footfall and 10-30 per cent increase in costs (on supplies). "We need a stimulus on basic costs, like power, ventilators and the cost of capital also. The industry will come together to make a bunch of requests because on the one side we are committed to treating patients, on the other side, unless this industry as private sector survives, we might see a total crash in the system," said Preetha Reddy, vice-chairperson of Apollo Hospitals Group, recently.

The cost of testing and treating Covid-19, at present, is not cheap though prices for testing have reduced. Apollo is expecting some state governments and the Centre to come up with some support to make the tests and treatment viable by bearing certain part of the cost.

There are fixed costs such as salaries, electricity bills, annual maintenance contract, and these run into several crores a month for a sizeable hospital.

With no elective surgeries and OPD, there has been no income and all private hospitals are bleeding, said S Gurushankar, president of Tamil Nadu Chapter of Association of Healthcare Providers of India (AHPI), and chairman of Meenakshi Mission Hospital & Research Center.

Already small clinics and hospitals are on the verge of closing. Gurushankar, however, said the industry was with the government at this time of crisis, but a way out of this had to be thought through. The industry, smaller hospitals claim, already runs on margins of around 10 per cent.

"This month, most small clinics cannot pay salaries and staff have already left. From end of April, most big hospitals will run out of working capital and will not be able to meet expenses. This is dangerous, because staff may simply not come to work. It's already happening in a few hospitals. If hospitals run out of working capital, that will be a disaster," said Gurushankar.

The industry has demanded that the government waive power costs for three months, provide exemption from goods and services tax, and also release tax arrears, and take measures to protect frontline employers. The government has also been asked to help arrange stocks of protective gear from vendors already providing government hospitals.

Some smaller hospitals have offered their premises to the government for free, sans staff. Joy Hospital in Chembur, an eastern suburb of Mumbai, has offered its entire facility to the Brihanmumbai Municipal Corporation, which is using it to house around 45 patients. "We have not sought any rent for use of our premises, but they will pay the utilities bill for this period. We have capacity for around 85 beds," said Dipti Joy Patankar, owner of the hospital. As for the corporate chains, there was steady income till Q3. An ICRA analysis shows that hospitals in its sample set saw an 11 per cent revenue growth and a 32 per cent Ebitda growth and the margins too improved from 13 per cent to 15.6 per cent year-on-year for Q3FY20.

However, such hospitals too are bracing up for challenging times. International patients account for 12-14 per cent of aggregate revenues of large hospitals, going as high as 25 per cent for certain super specialty facilities. The revenues from this segment are likely to dry up completely. If the lockdown is extended through a large part of Q1FY21, we estimate impact on private hospitals' Ebitda at around 10 per cent for the quarter and 3-4 per cent for FY21, Edelweiss noted.

There are fixed costs such as salaries, electricity bills, annual maintenance contract, and these run into several crores a month for a sizeable hospital PHOTO: REUTERS

Industry cries foul over import duty

Indian gear makers find themselves in a spot as the government exempted duty on imports of personal protective equipment, masks, ventilators, and Covid-19 test kits. Basic Customs duty and health cess have been abolished on these products with immediate effect. The exemption on all these products will be valid till September 30. At present, Customs duty on medical equipment is 7.5 per cent, while health cess is around 5 per cent. The manufacturers' lobby has written to the government over the matter. **SOHINI DAS**