Services sector activity contracts

PRESS TRUST OF INDIA
NEW DELHI

The country's services sector activity contracted during March as the COVID-19 pandemic dented demand, particularly in overseas markets, while public health measures aimed at stemming the outbreak curtailed discretionary spending, a monthly survey said on Monday.

The IHS Markit India Services Business Activity Index was at 49.3 in March, down from February's 85-month high of 57.5, as the pandemic pushed the services sector into contraction.

The headline figure fell by over 8 points, undoing the strong gains in growth momentum seen throughout 2019, the survey said.

In PMI parlance, a print above 50 means expansion, while a score below that denotes contraction.

IPO fund-raising up 60% in FY20

Despite the market plunge, seven of the 13 IPOs are trading above issue price

SPECIAL CORRESPONDENT
MUMBAI

Fund raising via public equity markets rose by more than 60% in 2019-20 even as the fiscal ended on a highly volatile note with a drop of almost 30% in the Sensex.

In 2019-20, a total of ₹91,670 crore was raised, which was 62% higher than the previous fiscal's ₹56,485 crore, as per data from Prime Database.

The mobilisation, however, was 48% lower than the all-time high of ₹1.76 lakh crore raised in 2017-18.

The fiscal 2019-20 saw 13 main board public issues raising a cumulative amount of ₹20,350 crore, an increase of 38% from the ₹14,719 crore raised through 14 initial public offers (IPOs) in 2018-19.

Further, the largest IPO in 2019-20 was that of SBI Cards & Payment Services, which was worth ₹10,341 crore, though the average deal size was ₹1,565 crore.

Interestingly, the overall response to main board IPOs was decent as eight of the IPOs were subscribed more than 10 times each with IRCTC topping the list by getting subscribed 109 times.

The subscription was also a factor of overall market buoyancy as only the last quarter of the fiscal saw a sudden downturn due to concerns related to global slowdown and COVID-19.

Biding time: The year also saw about 50 companies allowing the regulatory approval to lapse. • AP

The buoyancy was also reflected in the share price returns as shares of seven of the 13 IPOs gained more than 10% on the listing day.

Moreover, despite the ongoing pandemic and its subsequent impact on the markets, seven of the 13 IPOs are currently still trading above the issue price.

The year also saw about 50 companies, with a cumulative offer size worth ₹34,663 crore, allowing the regulatory approval to lapse. All IPOs need to get a nod from the Securities and Exchange Board of India (SEBI), that is valid for one year.

Meanwhile, for the first time since the dedicated platform for small and medium enterprises (SMEs) was launched in 2012, the activity in the segment declined with only 45 SME IPOs, with total fund-raising of ₹436 crore, hitting the market. It was significantly lower than the FY19's ₹1,620 crore.

Going ahead, as per Prime Database, the IPO pipeline continues to remain strong with 26 firms holding SEBI approval, wanting to raise almost ₹26,056 crore and another six entities, wanting to raise almost ₹7,500 crore, awaiting SEBI approval.

However, it is highly unlikely that any of these issues will hit the market till the time the uncertainty around pandemic ends, it said.

Up to 40% of planes may stay on ground for 12 months: CAPA

Domestic demand for air travel may fall 60% to 90 mn trips

SPECIAL CORRESPONDENT
NEW DELHI

Nearly 40% of the combined fleet of Indian airlines may not take to the skies in the next 12 months as the demand for air travel is likely to remain subdued, according to aviation consultancy firm CAPA.

In its latest report on the impact of COVID-19 on the Indian aviation sector, the Centre for Asia Pacific Aviation (CAPA) has forecast that the demand for domestic air travel will decline 60% to about 80-90 million trips, and for international travel it may drop 50% to approximately 35-40 million in the current fiscal as compared with the last financial year.

Of the total fleet size of 650 aircraft, as many as 200-250 planes are likely to remain surplus for the next 6-12 months, CAPA noted.

"Demand will be suppressed due to economic dislocation; slow or even negative GDP growth; broken supply chains; low consumer confidence; and concerns about lingering outbreaks of COVID-19, especially if travel insurance companies refuse to provide cover for associated medical expenses or travel disruption costs."

With domestic and international flights suspended by the Indian government until April 14 and flight operations likely to resume only in a staggered manner, CAPA said that the first quarter of the current fiscal was likely to be a washout, and airlines could be expected to "limp back to recovery" in the second quarter, which is traditionally a week season for travel demand.

Conservative number

"For India, to return to a pre-COVID operational fleet of 650 aircraft is likely to take up to 12 months from the time that restrictions are lifted, and this may be conservative.

"A gradual path to recovery is expected in quarter three and four."

The slump in demand may force some airlines to return their aircraft to lessors to save on rental costs.

Petrol sales fall 15.5%, diesel 24% as lockdown hits demand

LPG sees opposite trend as households rush for refills

PRESS TRUST OF INDIA
NEW DELHI

Petrol sales shrank by 15.5% and diesel demand tanked over 24% in March as the economy froze under the nationwide lockdown announced to check the spread of COVID-19.

Also, aviation turbine fuel (ATF) sales fell by 31% as flights got suspended alongside the shutting of businesses and most vehicular traffic going off-road.

Petrol sales dropped to 1.859 million tonnes in March from 2.2 million tonnes sold in the same month in 2019, according to provisional industry demand numbers.

Diesel, the most consumed fuel in the country, saw demand contract by 24.2% to 4.8 million tonnes from 6.34 million tonnes in March 2019.

Aviation fuel

Similarly, aviation turbine fuel sales fell to 2.25 million tonnes from 2.185 million tonnes last year.

The only fuel that showed growth was LPG as households rushed to book refills for stocking during the three-week lockdown period.

LPG sales rose 3.1% to 2.25 million tonnes in March from 2.185 million tonnes in the same month last year.

Industry officials said the pattern in fuel consumption is likely to continue in April as the lockdown is to last till mid of the month and there are indications that part restrictions will continue even after the lockdown is lifted.

March will be the first month in two-and-half-years when petrol sales would see degrowth. The fuel had registered an 8.2% growth during the first 11 months of the 2019-20 fiscal.

Diesel saw a 1.1% rise in consumption from April 2019 to February 2020. It had seen sales slip into negative territory in January this year before rising in February.

Most MSMEs skip March salary: AIMO

Survey cites logistics issues and absence of orders, among others, as reasons

SPECIAL CORRESPONDENT
CHENNAI

About 71% of the MSME establishments were unable to pay either partially or fully the wages due for March 2020 either due to logistics issue or absence of orders, among other issues, according to All India Manufacturers Organisation (AIMO).

AIMO, which is an apex trade body focused on the interests of the MSME sector, surveyed over 5,000 traders/MSMEs across the country over the last few days regarding the status and payment of wages/salaries for the month of March.

K.E. Raghunathan, past president, AIMO, said that salaries could not be paid for reasons such as computation, logistics and distribution issues for cash payments and cash flow.

As receipts from customers had dropped to near-zero, many entrepreneurs were unable to pay wages. • PHOTO: KAMAL NARANG

Besides, more than 52% of the entrepreneurs found it difficult to assess and determine how much to pay as some of their staff had worked from home while some of them had remained idle at home.

Almost 63% of the entrepreneurs cited cash-flow issues for their inability to make wage payments, as the receipts from their customers had almost dropped to zero and there was no advance received during March for fresh orders. The cycle of 'circulation or rotation of money' had come to a zero.

Over 47% of the establishments also found it difficult to determine how to pay salaries to employees who may not have a bank account or access to bank account or had gone back to their villages, despite working for about 20 days in March.

However, certain sectors, which provided necessities such as basic food and toiletries, saw a rise in their net growth over the last 15 days due to panic-buying and increasing demand, the survey said. Ancillary manufacturing, automobile spare parts, apparel, consumer durables, electronics, tourism, restaurants, seafood and livestock, construction and real estate, travel and transportation are the worst-hit by COVID-19.

Uber, Flipkart in pact on essentials

PRESS TRUST OF INDIA
NEW DELHI

After BigBasket and Spencer's Retail, ride-hailing Uber has now partnered with Walmart-owned Flipkart to provide people in Bengaluru, Mumbai and Delhi access to everyday essentials amid the nationwide lockdown.

"Our partnership with Flipkart will further consolidate our new last-mile delivery service. The partnership will help keep the economy running and enable Indians to stay at home in line with government guidelines for containing COVID-19," said Uber India and South Asia director-operations and head of cities Prabhjeet Singh.

Virus may force firms to alter work style

Social distancing, decluttering may impact businesses dealing with people

LALATENDU MISHRA
MUMBAI

With COVID-19 bringing normal life to a standstill, several sectors, particularly those dealing with people, are likely to be hit hard, while other segments may have to rejig their work strategy.

Some of the businesses that are likely to bear the brunt are from the travel and tourism sector – namely airlines, hospitality and travel agencies. Other segments such as education, malls, theatres and restaurants will also be impacted.

"The wedding eco-system could take a hit like travel and tourism. Education could partially move online. Work places may have flexi-hours to reduce the crowding on the transportation system," said Ambareesh Baliga, an independent analyst.

Religious and cultural events could take a backseat with limitations on headcount due to social distancing, he added.

"Mom-and-pop stores could be back in business with lesser footfalls in malls. The commercial space requirement may contract, whereas spaced out residential requirement could increase as decluttering gains pace," Mr. Baliga said.

He said in future people may have to pass through disinfectant chambers and follow hygiene more vigorously.

"The face mask would become a part of our attire. People will avoid places that are generally crowded and may prefer to watch movies at home than going to a theatre. While restaurants may take time to witness footfalls, home deliveries could see a spike. Our buying habits will shift online much faster than we have seen in the past," Mr. Baliga said.

New template: The face mask would become a part of regular attire as people will have to strictly follow hygiene. • PTI

Ravi Saxena, managing director, Wonderchef, said malls may suffer due to long waiting time for entry. Multiplexes and food courts are crowded places where social distancing is simply not possible.

"This means the business would spill over to digital platforms and also neighbourhood kirana stores. E-commerce is the oil that can keep the economy lubricated in this challenging time. Home deliveries are actually the safest form of consumption. They will prevent community spread drastically," he said.

Life insurers to process virus claims faster

SPECIAL CORRESPONDENT
MUMBAI

The Life Insurance Council – the industry body of life insurance companies – said all life insurers, both public and private, are committed to process any death claim pertaining to COVID-19 at the earliest.

The Council also said the clause of 'force majeure' will not apply in case of COVID-19 death claims.

"This step was taken to reassure customers who had reached out to individual life insurance companies seeking clarity on this clause in their contract as well as to dispel rumours to the contrary.

"All life insurance companies have also communicated to their customers individually in this regard," the council said.

3M ups health unit production

Raises operations 35-40% to address virus-linked scarcity

MINI TEJASWI
BENGALURU

3M India, which focusses on segments including healthcare, homecare and workplace safety, said it had raised the production of respirators, hand sanitisers and surgical masks in the country in the range of 35-40%.

The country's demand for such gear far outpaced the supply with the outbreak of COVID-19. To improve the supply of these essential accessories in the country, 3M India has increased the production of these at its manufacturing facility in Ranjangaon, off Pune.

Ramesh Ramadurai, MD, 3M India, said: "We have increased the production of respirators, surgical masks and hand sanitisers in the range of 35% to 40%. Now, we are almost exclusively directing our supplies to a large number of government and private healthcare providers, front-line healthcare workers and nodal agencies in India."

> **The authorities have supported us by giving required exemptions for the operations**
>
> RAMESH RAMADURAI, MD, 3M India

At full capacity

"The demand has outpaced supply by several times and we are doing our best to make sure that our manufacturing plant is running 24x7 in these critical times. Respirators are close to our heart at this moment of great need.

"The local authorities have supported us by giving us required exemptions for the operation," he said.

Respirators are the most important protective gear against COVID-19. 3M India makes two different types of respirators, P1 and P2, while it imports N95 masks.

Local authorities have also made a wide variety of 3M products, such as kitchen, home and bathroom chemicals, cleaning tools, materials, scrubs, pads, brushes, swipes and gloves, as part of essentials, as the company is globally known for its focus on healthcare and home care.

The Minnesota-based 3M Company said last week it would boost the U.S. production of its N95 filter respirator masks to 50 million per month by June.

Globally, the company has increased production of masks as demand for respirators exploded with COVID-19.

Kotak, HDFC Bank see healthy rise in deposits

Lenders' advances also show increase

SPECIAL CORRESPONDENT
Mumbai

At a time when some private sector lenders are seeing an erosion in deposits after the Yes Bank episode, lenders such as HDFC Bank and Kotak Mahindra Bank have bucked the trend.

HDFC Bank has said it has seen a 24% year-on-year growth in deposits as on March 31. Deposits increased to ₹11.46 lakh crore from the ₹9.23 lakh crore a year ago and from ₹10.67 lakh crore at the end of December 2019.

The current and savings account deposit ratio of the bank, which are low-cost deposits, was around 42% of the total deposits as on March 31 compared with 42.4% a year ago and 39.5 % as of December 31, 2019.

Kotak Mahindra Bank has said its total deposits, excluding certificate of deposits, grew by 19.6% year-on-year to ₹2.58 lakh crore as on March 31. Deposit growth was up 11.7% sequentially, going up from ₹2.31 lakh crore in December 31, 2019.

The ratio of low cost deposits also showed improvement, rising to 56.2% as on March 31 from the 52.5% a year ago and 53.7% a quarter ago.

On the advances, HDFC Bank's advances grew by 21% year-on-year to ₹9.93 lakh crore as on March 31, 2020. Kotak Mahindra Bank's net advances increased 6.7% year-on-year and 1.3% sequentially to ₹2.19 lakh crore .

Tata AIA Life to provide extra cover

SPECIAL CORRESPONDENT
MUMBAI

Tata AIA Life Insurance has decided to provide additional life cover up to ₹5 lakh for claims on new and existing policies for deaths due to COVID-19 until June 30, 2020, the company said in a statement.

The additional cover comes without any extra cost.

The life insurer has offered this cover for all of its retail policies, comprehensively covering all categories of policies, be it term, endowment or unit-linked plan.

"This initiative covers retail individually held in-force policies only and is not applicable for customers covered under group policy," the company said.

2-wheeler sales may drop up to 13%

Lower consumer spending to add to industry's woes: ICRA

SPECIAL CORRESPONDENT
NEW DELHI

The two-wheeler industry is likely to witness another year of demand contraction with sales expected to decline by 11-13% to around 18 million units in FY2021 due to the impact of the COVID-19 pandemic on economic growth and discretionary spending, rating agency ICRA said.

Flattish demand

Even prior to the outbreak, the demand for two-wheelers was expected to be flat in India amid a sharp rise in vehicle prices following the transition to BS-VI emission norms, resulting in 10-12% inflation and a subdued macroeconomic scenario, the agency noted.

"The challenges for the industry are likely to get aggravated as consumer spending will be severely impacted by the outbreak, resulting in lower spending power both in urban and rural markets. There is a likelihood of downtrading by consumers as well once the economy starts to crawl back to normalcy," it added.

Shamsher Dewan, vice-president, ICRA said, "We expect two-wheeler OEMs to brace for another year of lower earnings and decline in operating margins, to 11.5-12% from around 14% in the previous year."

Mr. Dewan added that besides lower sales, pressure on earnings will also arise due to costs involved in recalling BS-IV inventory from dealers, which is likely to remain unsold due to shutdowns. Additionally, during periods of stress, OEMs would also have to extend credit support to its dealers, thus leading to a potential increase in working capital intensity.

ICRA added that given the rapid spread of the pandemic in India and overseas, and the possibility of further extension of lockdowns, revival from the down-cycle is expected to be delayed by at least a few quarters.

Pharmexcil wants RBI to ease non-fund limits

$1 bn worth of materials stuck at ports

SPECIAL CORRESPONDENT
HYDERABAD

Pharmaceutical raw materials and finished goods worth more than $1 billion are stuck at ports on account of transportation and manpower constraints, Pharmaceuticals Export Promotion Council of India (Pharmexcil) has said.

Consequently, the COVID-19-led disruption has led to pharmaceutical units unable to operate beyond 25-30% of their normal operational manufacturing capacity. The situation comes despite the pharmaceutical industry classified as commodities and services.

Pharmexcil chairman Dinesh Dua cited this in an appeal to the Reserve Bank of India (RBI) for relaxation in certain terms of non-fund based limit.

"Our member-companies request you to immediately consider at least an extension of six months for due payments against non-fund limits predominantly provided through Letter of Credit for making the payments to the bankers," he said in a letter to the RBI Governor.