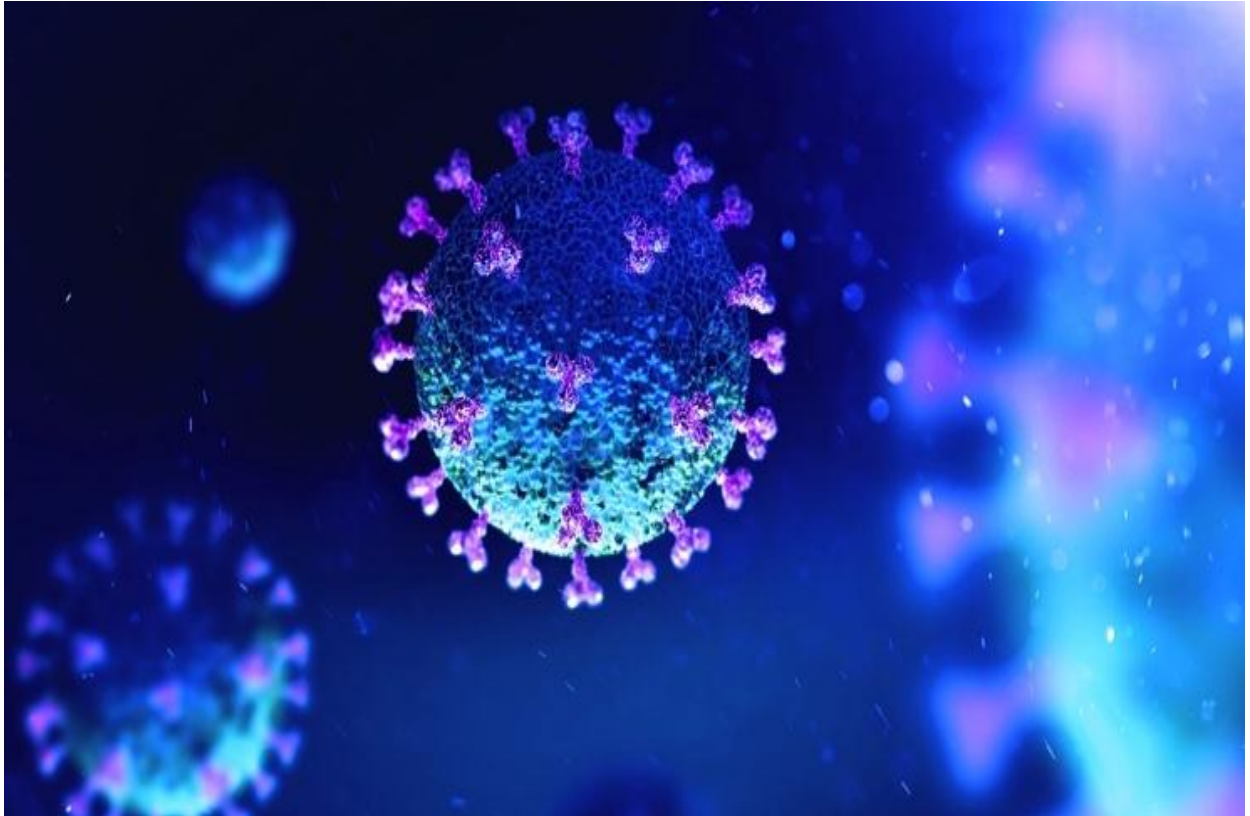


Industry News Compilation: Coronavirus (COVID-19) Effect



Impact Note | 18th April 2020

Compilation for Internal Training & Circulation

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A. Overview

As per the Federation of Indian Chambers of Commerce and Industry, Indian economy has been experiencing significant slowdown over the past few quarters. India's Real GDP decelerated to its lowest in over 6 years in Quarter 3 of FY 2019-20. There was a strong hope of recovery in the last quarter of the current fiscal. However, the new coronavirus epidemic has made the recovery extremely difficult and India is experiencing lower growth rate during the last quarter of current fiscal year. If the spread of virus continues, growth may remain subdued in the first quarter of FY 2020-21.

The outbreak has presented fresh challenges for the Indian economy now, causing severe disruptive impact on both demand and supply side elements which has the potential to derail India's growth story.

The number of infected cases of Pandemic COVID-19 escalates each day globally as well as domestically. India along with other countries has announced partial or complete lockdown to avoid spread of virus. This has put a halt to Domestic as well as Global Trade. China is one of the India's top Trading Partner.

If the pandemic continues, China's demand for cotton, iron ore and petroleum products from India are likely to suffer. Imports related to Pharmaceuticals, Automobiles, Consumer Durables, Electronic and Telecom/ Smartphone equipment could also suffer effecting domestic industries.

IT/ ITes industry accounts for a major share of India's service exports. This would take a hit due to outbreak of the virus. The recession in the advanced countries is likely to damper the prospects for IT-ITES, tourism and bring down services exports growth.

This note provides the industries wise impact due to pandemic situation. Note is compilation of Industry wise impact based on information available on the trade association and news articles.

This document is not to be treated as a professional advice. It is a compilation of various news articles on different industry. It is just an effort to compile various industry news into one document for the benefit of the readers so as to help them to assess the going concern outlooks wherever required.

This document does not assume any ownership of any articles mentioned in the source links and it remains with the respective authors of the articles.

B. INDUSTRY WISE NEWS – COVID 19 OUTBREAK EFFECTS

1. Automobiles and Parts of Automobiles¹



- Domestic Automobile demand is expected to be impacted for an extended period as consumers have postponed the vehicle purchase decisions and cut discretionary spending.
- This sector has already seen slack demand and higher prices because of compliance with Bharat Stage VI emission norms.
- India imports more than 25% of automotive parts from China. Due to closure of shipments from China, Indian OEM's are facing difficulties to plan production beyond the available inventory.
- The Federation of Automobile Dealers Association (FADA) has expressed concern over the availability of BS-VI vehicles which has been impacted due to COVID-19 situation in China. This has made the transition difficult for the sector and hence the outlook is negative.

¹ <https://www.businesstoday.in/sectors/auto/another-blow-to-indias-auto-sector-this-time-due-to-coronavirus/story/397125.html>

2. Agriculture and Food Processing²



- Survival is dependent upon agriculture and a good harvest which again depends on quality seeds delivered to farmers by the seed sector, both public and private.
- India needs about 250 lakh quintals of seeds for the Kharif season. The preparation of seeds happens between March and May. It begins from the farmers' fields, where pollination etc are monitored by teams, and after harvest, drying and selection, the seeds are sent to processing plants.
- The Central and State Government has provided exemptions for seeds, agricultural labourers and farm related activities. In spite of the exemptions offered, the seed and allied sectors are facing harassment and in some cases violence at local levels.
- Transport services are not allowed to operate either. Apart for higher wages, there is news of a higher percentage of inventory losses and rejections which is over and above rising transport costs. Within the seed sector, overall cost of production has spiked due to some of these factors and the small and medium companies are facing the brunt.
- India has a large segment of small and medium seed companies that working very hard to be competitive, and make ends meet. They often compartmentalise and outsource their work to various service providers, for example - drying, packaging or storing, etc.

² <https://www.thehindubusinessline.com/economy/agri-business/agriculture-in-the-time-of-covid-19/article31248717.ece>

- Many of them also take credit either from banks or private money lenders to run their operations. And even a slight spike in costs, may cause destruction of their operations. The distributor-retailer networks is also affected due to corona fears, and hence companies are reporting low pre-booking numbers. As a result, prices of seeds sold by the retailers, may also shoot up. But the worst hit still are the companies that have borrowed money, privately. Big and R&D are also suffering because of this crisis, but are more resilient. But COVID-19 will have a major impact on the smaller companies, many of them are Indian.
- Due to Lockdown there is closure of hotels, sweet shops, restaurants, street foods. The poultry sector is the fastest growing subsector of Indian agriculture eco-system. India is the third largest producer of eggs and fifth largest producer of broilers. Misinformation is spread through Social Media by correlating Coronavirus infection to consumption of meat and poultry products causing destruction in demand for poultry products³.

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³ Source: FICCI

3. Aviation⁴



- Aviation is the worst affected sectors that is facing the maximum brunt of the present crisis. Since the beginning of February 2020, international and domestic passenger load factors dropped by 570 basis points year-on-year and 100 basis points year-on-year, respectively, said India Ratings and Research.
- The aviation industry has already started to surrender under the pressure with several major airlines announcing payout for employees.
- Traffic during the summer season, which is a peak travel period, will be severely impacted. For airport operators, this will impact sales which come from footfalls of passengers at airports.

⁴ <https://www.bloomberquint.com/business/covid-19-impact-sectors-where-rating-agencies-see-elevated-credit-risk>
<https://www.financialexpress.com/industry/with-skies-empty-aviation-industry-runs-out-of-adjectives-for-its-agonny-recovery-only-after-a-year/1921170/>
<https://www.internationalairportreview.com/article/114304/covid-19-airport-action-measure-insights-coronavirus/>
<https://economictimes.indiatimes.com/markets/stocks/news/how-bad-is-the-impact-of-coronavirus-on-indias-airlines/articleshow/75080538.cms>
<https://economictimes.indiatimes.com/news/economy/policy/atf-should-be-brought-under-gst-to-provide-level-playing-field-to-airlines-suresh-prabhu/articleshow/68761211.cms?from=mdr>

- According to the International Air Transport Association, airlines globally can lose in passenger revenues of up to \$113 billion due to this crisis.
- Some companies have reported more than 30 per cent drop in domestic travel this summer compared with last year. Airfare in the popular domestic routes have been reduced by 20-25 per cent and airfares are expected to remain subdued for the summer season as well. Cash reserves of airline companies are running low and many are almost at the brink of bankruptcy.
- As both airlines and airport operators see cash flows dwindle, they will need increased debt funding to meet lease rentals and interest payments.
- Aviation industry in India will take a year to recover to normalcy as the current coronavirus crisis takes a massive toll on airlines across the globe.
- This could mean that the impact of the lockdown will last well beyond the immediate time frame when business is at a complete standstill.
- Aviation Turbine Fuel needs to be brought under the ambit of GST to provide immediate relief to the airlines with full input tax credit on all goods and services.
- Business continuity must be addressed from a total airport perspective, looking at not just airport operation but also other service providers – including security services, ground handlers, retailers and catering companies.

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4. Beauty, Cosmetics, Skin Care and Fragrance⁵



- The amid growing concern of coronavirus has rapidly changed the dynamics of the beauty industry and the skincare and hair care service industry.
- The beauty news and reports state that both beauty industry retailers and beauty service workers are facing unprecedented challenges to keep up their businesses. Under the government guidelines, salons, spa and beauty stores were shut down even before the lockdown which has further left the makeup artists and hairstylists without work.
- Large scale productions like haircare product factories or beauty factories that put hundreds of people in close contact daily have largely been shut down. The supply chain has been disrupted.
- Sales have been decreased. India imports cosmetics, beauty products and raw materials for the manufacture of beauty products. Germany, U.K., and The United States are the traditional suppliers with imports gradually increasing from China, Hong Kong, Malaysia, Thailand, and Israel in recent years.
- But with the spread of the virus in China, France, and Germany the supply chain has been highly disrupted further effectuating the skincare and beauty industry. The countries from Italy to Spain, France to India have limited international travel to combat the spread of COVID-19, beauty tourism has been impacted majorly.

⁵ https://www.beautypackaging.com/contents/view_experts-opinion/2020-03-23/the-impact-of-covid-19-on-the-beauty-industrys-2020-retail-year/
<https://www.cosmeticsdesign-asia.com/Article/2020/03/24/COVID-19-and-APAC-s-cosmetics-industry-All-our-coronavirus-news-in-one-place>

- The factories are shut down, retails of skin care, hair care and cosmetic products are suffering, sellers on an online marketplace like Amazon are struggling to bring goods into the country. But when the lockdown is over, online sales are expected to bloom because of the reason that people would still prefer not leaving homes that easily and this will further enhance the future of online fashion and beauty.
- Prominent trade and fashion shows are postponed or cancelled in Paris, Milan, Las Vegas, Shanghai, Tokyo and New York. Notable luxury fashion and beauty brands are cancelling Fall 2020 previews, such as Giorgio Armani, Burberry, Cartier, Chanel, Gucci, Louis Vuitton, Prada and Ralph Lauren, which will impact buyers while positively impacting brand loyalty as consumers see that social consciousness and awareness took precedence.
- The postponement of key beauty trade shows such as Cosmoprof Worldwide Bologna, which showcases perfumery, cosmetics and packaging, and Esxence, Milan's artistic perfumery show, among many larger retail events, is unprecedented. However, there is an upward impact for personal hygiene products like soaps, sanitizers, etc.

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5. Capital Market⁶



- Investor sentiment in India is so low that despite relatively lower cases, Indian market has fared worst among global peers.
- Indian stock market has lost 26 per cent in dollar terms between February 1 and April 9, compared with a fall of 20 per cent and 14 per cent in the European and US markets.
- Emerging markets, reflected by the MSCI EM (Morgan Stanley Capital International, Emerging Market) Index declined 15 per cent during the same period.
- China, where the coronavirus originated, has been least affected, with just 3 per cent fall in the stock market between February 1 and April 9.
- Although the government has announced various relief measures to save the economy, investors are still expecting a second stimulus package from the government which might be focused on MSMEs which is the worst hit.
- Most of the investors are in the dilemma of whether markets have already bottomed out or would bottom out in the next few months. However, due to the sharp fall of the market, many investors would find it attractive to invest in small and mid-cap.
- Many believe that the small & mid-cap companies may not survive after this pandemic. The complete shutdown of the business has led to high fixed costs, high working capital, and low liquidity, etc. but one has to identify the value buying which results in high-risk reward as compared to the large caps. Investors would have to invest for the long term to know the true potential of the small and mid-caps.
- Volatility is expected to remain high in the upcoming week as well. However, it can be observed that most of the stocks have recovered significantly in the past few trading sessions. So, investors should be investing in selective stocks considering the volatility in specific sectors as well as financials of the stocks they are going to invest in.

⁶ <https://www.moneycontrol.com/news/business/markets/covid-19-impact-invest-for-long-term-to-know-the-true-potential-of-the-small-and-midcaps-5132111.html>
<https://www.businesstoday.in/markets/stocks/coronavirus-impact-india-worst-hit-stock-market-china-least-affected/story/400890.html>

6. Education⁷



- As the covid-19 disease spreads wide across the country, Schools, colleges and educational institutions are shut, and students are stuck at home. IB, A Levels, ICSE, CBSE all known and recognized boards have postponed or cancelled examinations. Institutions like IITs and IIMs have all closed their campuses and moved classes online. Even standardized tests like GMAT, GRE, SATs, ACT remain suspended and the future of many students hangs in balance.
- Looking at this challenge of colleges and schools being shut, government of India (GOI), as well as state governments and private players have regularly been publishing information on various initiatives undertaken by ministries like MHRD, Department of Technical Education, NCERT and others to support and benefit youth/students.
- The lockdown has accelerated adoption of digital technology. This is an ideal time to experiment and deploy new tools to make education delivery meaningful to students who can't go to campuses. It's a chance to be more efficient and productive while developing new and improved professional skills/knowledge through online learning and assessment. Pedagogy in digital education is an important link between course content, educationists, technology and course-takers.
- A few of the initiatives by GOI are SWAYAM online courses for teachers, UG/PG MOOCs for non-technology courses, e-PG Pathshala or e-content containing modules on social science, arts, fine arts, natural and mathematical science, CEC-UGC YouTube channel, Vidwan – a database of experts who provide information to peers and prospective collaborators, NEAT – an initiative by

⁷ <https://www.indiatoday.in/education-today/featurephilia/story/how-is-the-covid-19-pandemic-affecting-education-all-over-the-world-1664380-2020-04-07>
<https://economictimes.indiatimes.com/blogs/et-commentary/covid-19-creating-a-paradigm-shift-in-indias-education-system/>

AICTE based on the PPP model to enhance the employability skill among students, in collaboration with Education Technology Companies and National Digital Library (NDL), a repository of learning resources with single window facility. Many noteworthy initiatives have been taken up like Spoken Tutorial, Free and Open Source Software for Education (FOSSEE), e-Yantra, Google Classroom and so on.

- It is fact that the GOI as well state governments, through their various ministries/departments, have created infrastructure to deliver e-education. These include National Knowledge Network (NKN), National Project on Technology Enhanced Learning (NPTEL), National Mission on Education Through Information and Communication Technology (NMEICT), National Academic Depository (NAD), among others. All these enhance our ability to connect easily with institutions and enhance our access to learning resources.
- Going forward, the use of technology in teaching or recruitment will lead to a new era wherein the best of faculty will be available from across the globe to students. Education quality will be gauged not just by the quality of faculty but will also have quality of IT infrastructure and familiarisation of the faculty will digital teaching technologies as important parameters.
- The physical infrastructure of academic institutions will have less impact on the quality of education and thus directly on the cost of education. Review meetings, parent-teacher meetings, subject conferences will be location agnostic. The real vision of the new education policy for liberal education will get executed. It is possible that in times to come, a student may be allowed to carry out courses from any College/ University based on quality of teacher and fees for the course irrespective of his location and finally will get degree from the home university where he / she got registered or from the university where he has taken maximum courses, resulting in a balance of economics of good education.

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7. Engineering and Construction⁸



- The outbreak of coronavirus is having a negative impact on ongoing construction projects.
- The Construction Projects are at standstill as more than 30% construction workers are staying away from the sites due to fear of COVID-19. Most of the workers have returned back to their villages.
- Supply chain is disrupted, there is shortage of materials, etc. Most developers are running against time to complete the project and will face cost escalation along with heavy penalties in case of delays.
- The labourers are losing daily wages. January to March quarter is crucial to most construction companies as they receive bulk orders during this quarter.
- After the pandemic is over it will take minimum 7-8 months to resume the construction activity. The Rainy season from June 2020 to September 2020 will additionally obstruct the activity.
- In the backdrop of ongoing construction work getting impacted, given the unwarranted and unusual event, they have also suggested that Covid-19 needs to be declared as 'force majeure' under Section 6 of the Real Estate (Regulations and Development) Act (RERA) that provides extension of projects registration granted to promoters.

⁸ <https://economictimes.indiatimes.com/industry/services/property/-cstruction/covid-19-impact-construction-projects-hit-as-workers-keep-away/articleshow/74738820.cms?from=mdr>

8. E-Commerce⁹



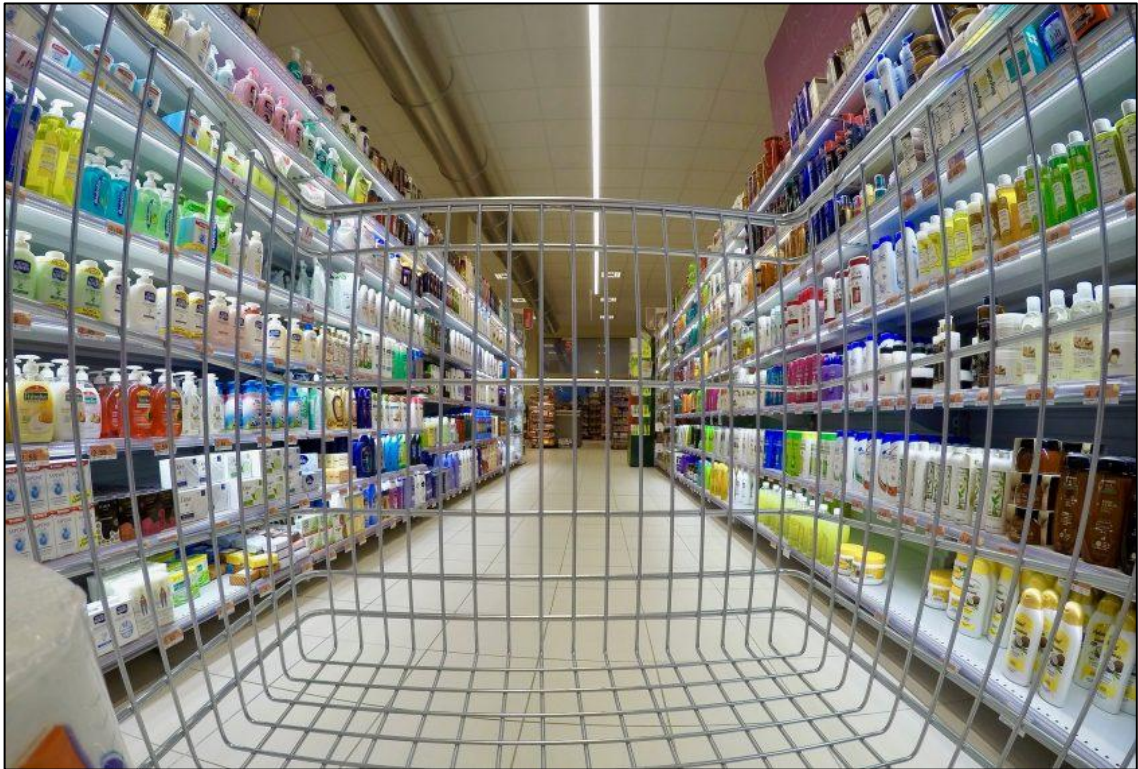
- The Covid-19 pandemic has disrupted and impacted the daily lives of citizens in an unprecedented manner.
- To prevent community spread of Covid-19, the Government has issued advisory for social distancing and isolation by asking corporates to allow work from home to their employees.
- The Central Government have also imposed complete lockdown as a preventive measure and restricting outdoor movement except for supplying and procuring essential services. Due to such lockdowns some of the operations of E-commerce operators may get disrupted.
- This could affect the e-commerce business, especially at a time when there is increase in demand for home delivery of goods under present circumstances. However, E-commerce acts as a lifeline for cities and lockdown to fight against pandemic.
- E-commerce also proves to provide many benefits for Micro, Small and Medium Enterprises (MSMEs), by providing them access to wider markets, overcoming geographic boundaries, providing a level playing field for competing with larger players etc. Consumers also gain through wider choice of goods and services, its pricing etc.
- One of the most noteworthy benefits of e-commerce for MSMEs and consumers alike during the pandemic has been matching the demand and supply of essential products such as medicines, hand sanitizers and face masks.

⁹ <https://economictimes.indiatimes.com/blogs/et-editorials/enable-e-commerce-to-disable-covid-19/>

- In this pandemic E-commerce has also provided benefits to farmers which helps them directly to sell their perishable products directly to wholesale buyers. Recognising such benefits, especially in these times, the Ministry of Consumers Affairs of India, had advised state governments and local administration to exempt e-commerce operations and its stakeholders, from any lockdown prohibitions.
- There are many suppliers engaged in providing non-essential goods and services (like electronics, apparel, taxi services etc. – which make up bulk of online sales) who unlike deep pocketed larger players, do not necessarily have the wherewithal to sustain their fixed business expenses like rents, salaries, EMIs etc.
- One of the ways to quickly provide relief to smaller e-commerce players is to allow delivery of non-essential items while practising hygiene and social distancing. Reforming foreign investment laws, improving regulatory coherence, and ensuring proportional regulation of the sector may also go a long way in fostering the growth of smaller e-commerce players.

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9. FMCG¹⁰



- Fast-moving consumer goods (FMCG) sector is the 4th largest sector in the Indian economy with Household and Personal Care accounting for 50 per cent of FMCG sales in India¹¹.
- Like all the other sectors, the consumer goods industry has also been significantly impacted simply because the markets have been shut down. There has been no distribution in the market and consequently productions have also been shut down.
- FMCG will be more resilient than other sectors and should bounce back faster, and within this segment, consumer staples should recover faster than discretionary items.
- India imports 45% of completely built units of consumer durables from China and it also imports nearly 70% of the components needed for TV's, smartphones and key components of durable consumer goods (washing machines, refrigerators and air conditioners) originate from China. The price increase by the suppliers at a time when demand is drastically down has hit the sector hard¹².

¹⁰ <https://www.livemint.com/industry/retail/covid-19-crisis-may-lead-to-emergence-of-new-fmcg-products-qcpl-md-11585738917920.html>

<https://www.deccanherald.com/business/business-news/covid-19-lockdown-to-impact-q1-of-fmcg-industry-qcpl-821735.html>

¹¹ <https://www.ibef.org/industry/fmcg.aspx> - accessed on 13th April 2020

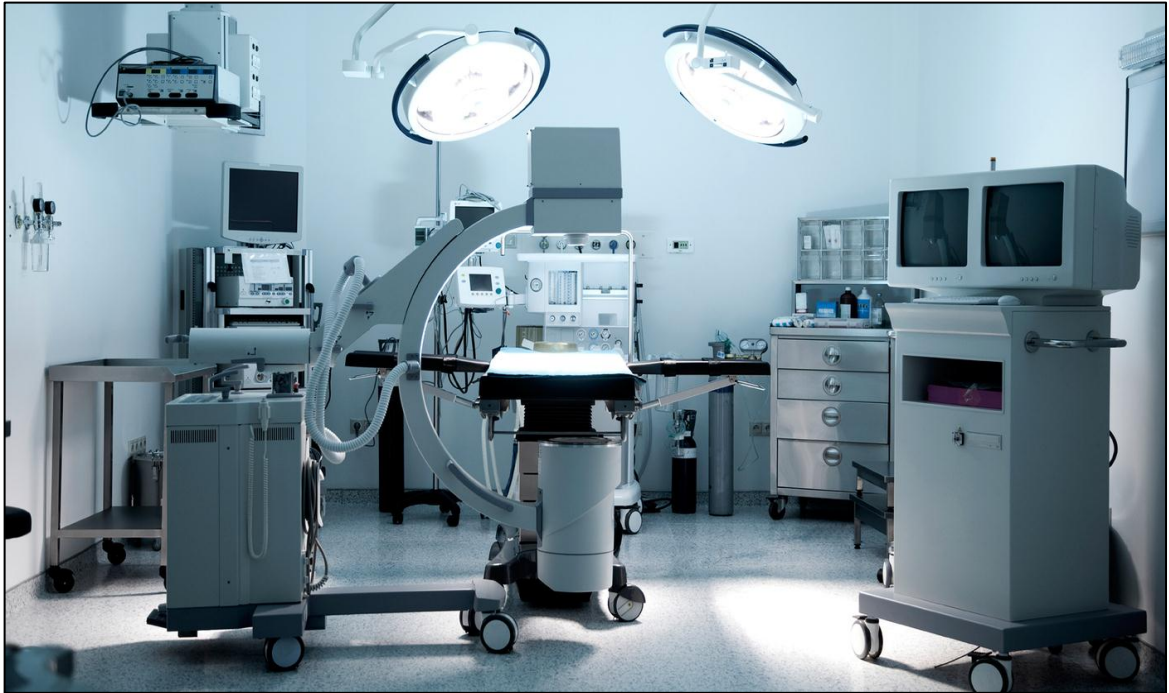
¹² <https://timesofindia.indiatimes.com/business/india-business/price-hike-by-chinese-suppliers-hits-indian-companies/articleshow/75038778.cms>

- Since the time of the outbreak in January this year, Chinese vendors have already raised the prices of some components by more than 2%, and prices of TV panels has jumped by more than 15%, which has had the knock-on effect of raising the prices of existing electronic items on shelves and delaying the launch of new models¹³.
- First priority should be to get the supply chain and production back on track along with ensuring safety of employees and ensure availability of essential items. The focus should be to resume production activities of essential items once normalcy resumes.
- Depending on how long it takes the crisis to return back to normal, some recovery plans must be prepared in terms of what new product categories might emerge from this e.g. greater focus could be on health protection and hygiene so to make a stronger presence in those categories.
- The strategy shall be to tide over the crisis to ensure a ready availability of products and then, as the situation improves, to figure out bounce-back plan. Phase wise opening of markets/malls within social distancing norms.

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¹³ <https://www.forbes.com/sites/krnkashyap/2020/03/04/indias-economy-feels-the-pain-of-the-coronavirus-outbreak-in-neighboring-china/#7135614cd7cc>

10. Medical Equipment¹⁴



- India imports a variety of consumables, disposables and capital equipment including orthopaedic implants, gloves, syringes, bandages, computed tomography and magnetic resonance imaging devices from China.
- Due to the current crisis in China, the medical device manufacturers across India are finding it difficult to source important raw materials and electronic components from Chinese factories.
- Even though some of the factories in China have restored operation, shortage of some critical electronic parts and raw materials still exists. This is affecting the margins and profitability of Indian Companies importing medical devices and small components to manufacture finished products. This can increase the prices of medical equipment.
- Considering the immediate requirement of ventilators and other items, Finance Ministry has exempted ventilators, face masks, surgical masks, Personal Protection Equipment and COVID-19 test kits from Basic Customs Duty and Health Cess till 30th September 2020.
- The exemption will also be applicable for inputs necessary to manufacture the above items.

¹⁴ <https://www.thehindubusinessline.com/economy/policy/covid-19-impact-no-import-duty-key-medical-equipments-for-six-months/article31305339.ece>
Source: FICCI

11. Media and Entertainment¹⁵



- The revenue of large industries like television, print, filmed entertainment, live events is likely to take a hit. Television production activity has come to a standstill for social distancing by avoiding large gathering on the sets.
- General Entertainment Channels are telecasting old serials and shows like Ramayana, Circus, etc. as no new show is produced.
- The viewers of these channels have increased. Similarly, Film Industry has also halted their shootings and pushed the release of new films to future date.
- Delay in Movie release will hamper box office collection in domestic as well abroad as Indian movies have large audience abroad. Sports events scheduled in the month of March,
- April and May like Tokyo Olympics, Hockey Pro League, Indian Premium League, Asia Cup, UEFA Champions League etc. have either been postponed or are been cancelled. Viewers of sports channels shall drop for 3 months. This will also lead heavy loss due to sale of tickets, advertising etc.

¹⁵<https://economictimes.indiatimes.com/industry/media/entertainment/coronavirus-indian-entertainment-industry-stares-at-losses/articleshow/74615854.cms>

12. NBFC¹⁶



- Non-banking finance companies (NBFCs), an integral component of the Indian lending ecosystem apart from banks, could see a major impact of COVID-19 on their liquidity position and asset quality in the financial year 2020-21.
- With the economy under stress and slower movement of business happening for the last 30 days and which is expected to continue for the days or rather months to come, the global slowdown is meant to impact the health of both banking and non-banking financial companies.
- Markets rolling down, once known as the most preferred stocks, most of the NBFCs have lost close to approximately 30% to 40% value in the last two months.
- The revenue stream of all NBFCs are hugely impacted as there is a significant drop in transactions, loan repayments, etc. at all levels countrywide. This means less collection by the NBFCs impacting their day to day operations and profitability.
- Affected businesses due to COVID-19 may take time to repay their loans and would further require financial assistance to weather the storm once the crisis is over.
- NBFCs relying on digital processing of transactions & bills can get their processes disrupted due to hardware shortages since importing countries like Korea and China are not operating their factories.

¹⁶ <https://bfsi.eletsonline.com/impact-of-covid-2019-on-nbfc/>
<https://www.moneycontrol.com/news/business/markets/covid-19-intensifies-headwinds-for-nbfc-may-need-rs-10000-20000-cr-boost-5121911.html>

- A crucial pillar to the Indian economy, MSMEs will now struggle to sustain business and this will impact the NBFCs asset quality requirements.
- New policy measures or accounting rules could make the NBFCs vulnerable as the coronavirus pandemic looms to push the world into a downturn.
- Larger work pressure on NBFC employees to complete all the pending piled up work once the crisis is stable and stretched targets on each employee to grow business.
- The RBI has provided a 3 months moratorium framework (March-May, 2020) for banks and NBFCs. Hence almost all retail NBFCs are expected to provide such a moratorium to their borrowers. While this is likely to provide a temporary reprieve to the retail borrowers of the NBFCs, it is likely to have significant implications for their liquidity and businesses in FY21. The key risk for NBFCs is a sharp deterioration in the delinquency levels subsequent to the expiry of the 3-month moratorium.
- It is apparent that many NBFCs would find it difficult to manage their cash flows including their operating expenses during the next 3 months unless they get access to additional bank lines or refinance.
- NBFCs to be well prepared with their business continuity and contingency plan so as to quickly respond back post the coronavirus outbreak slows down. A well-prepared
- organization can definitely bounce back, and NBFCs with proper planning can overcome the impact of this disruption.
- In addition, on a positive side and being very optimistic, the weakening economy due to COVID-19 may force Indian government & regulators to take necessary measures and introduce
- Other policy measures to strengthen NBFCs.

13. Oil and Gas¹⁷



- The growth of India's Petroleum Demand has been lowest in at least 10 years. The outbreak of COVID-19 has an adverse effect on the consumption of fuel in the country.
- The demand for petrol, diesel and aviation turbine fuel in the country has been severely affected due to no economic activity and public movement due to lockdown. Diesel is the largest consumed fuel in the country. Diesel is primarily used in commercial vehicles, passenger vehicles, Indian Railways, Agricultural Sector and Other Industrial Sector. Petrol Consumption has been increasing upto February 2020 due to rise in petrol driven vehicles.
- Consumption of Aviation Turbine Fuel also declined by 32% in March 2020 as compared to March 2019 as the airlines ceased operations due to Full or Partial Lockdown by major countries in the world.

¹⁷ <https://energy.economictimes.indiatimes.com/news/oil-and-gas/covid-19-impact-indias-petroleum-consumption-falls-to-10-year-low/75064474>
<https://energy.economictimes.indiatimes.com/energy-speak/will-the-oil-industry-survive-covid-19-effects/4125>

- In India, all forms of public transport through rail, road and air have been suspended till 14 April 2020. Demand for fossil fuels except LPG and domestic natural gas is on the free fall. Consequent to the development, the refiners are forced to cut down their through put to an extent of 25-30 percent immediately. It is expected that global oil demand may shrink by 15-20 million barrels for day (mbpd) due to Corona effect including extensive lockdown in oil consuming economies.
- There is an marginal increase in sale of Liquified Petroleum Gas in March 2020 as compared to March 2019 as consumers tried to buy multiple LPG refills during the Month of March 2020.
- Oil and gas producers want the government to cut and defer taxes on output and end all price controls on domestic natural gas to help companies deal with the twin shock of a global supply glut and demand fall due to the Covid-19 pandemic.

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14. Pharmaceuticals¹⁸



- The Indian Pharmaceutical Industry has been a world leader in generics both globally and in domestic markets contributing significantly to the global demand for generics in terms of volume. Made-in-India drugs supplied to the developed economies such as the US, EU and Japan are known for their safety and quality.
- India imports about 85% of its total requirement of active pharmaceutical ingredients (APIs) from China, according to the Trade Promotion Council of India. India's large import dependence on China has become a significant threat to India's healthcare manufacturing and Global Supply Chain.
- While Indian Pharma players over a time period have steadily migrated up the value chain to focus on value-added formulations with higher margins, but this over dependence on China has increased the threat to the nation's health security as some of these critical APIs are crucial to mitigate India's growing disease burden.

¹⁸ <https://economictimes.indiatimes.com/markets/stocks/news/coronavirus-impact-on-indias-pharma-sector/articleshow/75136862.cms>
Source FICCI

- Any disruption in supply chain of APIs can result in significant shortages in the supply of essential drugs in India. Some of the critical APIs for high-burden disease categories such as cardiovascular diseases, diabetes and tuberculosis are listed in the National List of Essential Medicines (NLEM).
- India has significantly lost out on the API manufacturing owing to the inadequate government support and API focused infrastructure coupled with complexity in getting approvals for setting up manufacturing plant, delayed pollution clearances, high cost with low availability of utilities, regulatory and price control regime are some of the key challenges faced by the bulk drug industry. The government has restricted exports of certain medicines to deal with the situation.
- The increased dependency of low-cost API is mainly attributed to China's extensive efforts towards developing economies of scale, easing regulations for bulk drug manufacturers, availability of low-cost utilities, building process efficiencies and supporting manufacturers in the form of subsidy, low taxes and fiscal incentives. The current market is largely dependent on China for many antibiotic

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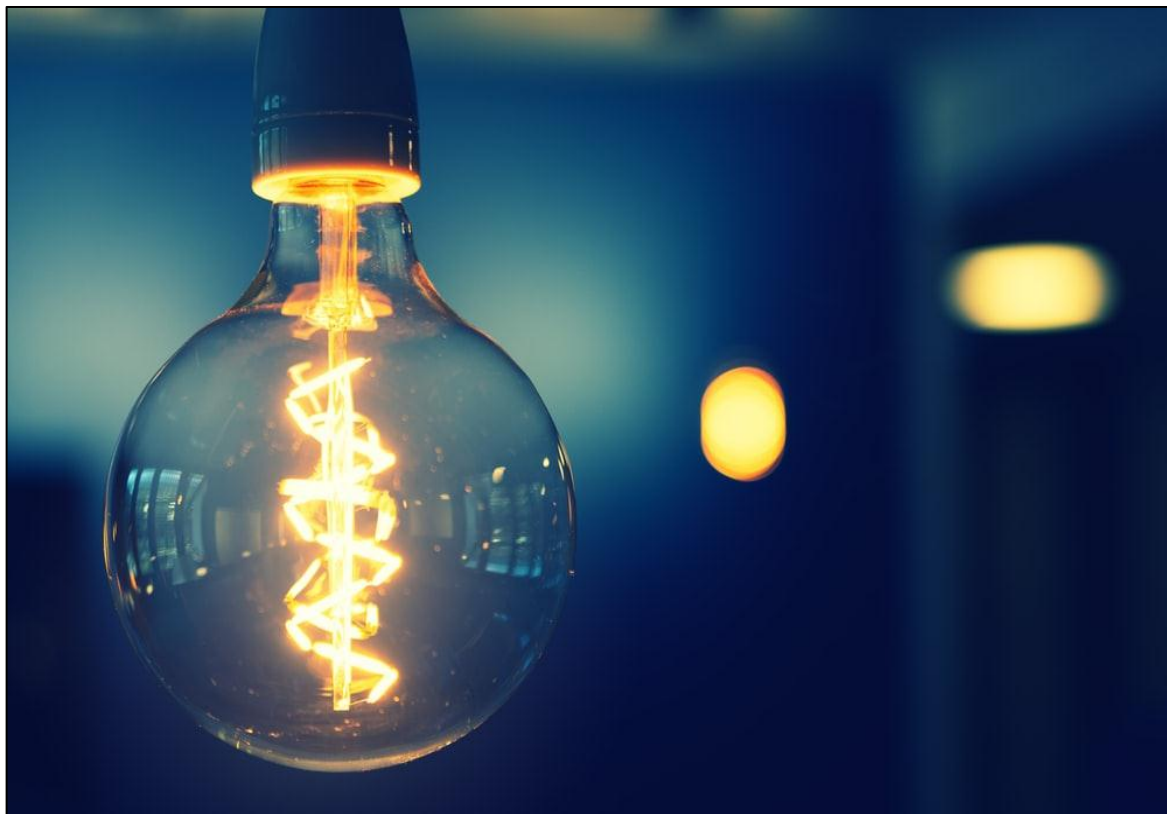
15. Paper and Paper Products¹⁹



- India is the fastest growing paper market in the world. The paper industry, especially woodbased paper manufacturers, supports around 5 lakh farmers who are engaged in agro forestry, and supply raw material to the paper mills.
- Unfortunately, growth in demand is being met increasingly by imports, with under-utilisation of existing domestic manufacturing capacity.
- Several small industries operating largely in the MSME sector are facing raw material supply disruptions in the wake of the coronavirus outbreak.

¹⁹ Source: FICCI

16. Power²⁰



- The corona virus outbreak is expected to have a negative impact on power demand. The lockdown has resulted in a shutdown of industrial and commercial establishments and stoppage of passenger railway services.
- The lockdown announced by the government to control the Covid-19 pandemic will adversely impact electricity demand, cash flows for discoms and lead to payment delays for power generation and transmission companies.
- This would also adversely impact the revenues and cash collections for distribution utilities in the near term, especially given the consumption decline from the high tariff paying industrial and commercial consumers and likely delays in cash collections from other consumer segments.
- The revenues for power generation companies having long-term power purchase agreements (PPAs) with the state distribution utilities (discoms) will be protected by the provision for capacity charges linked to plant availability in case of thermal and large hydro power projects and “must run” status in case of nuclear and renewable power projects.

²⁰ <https://economictimes.indiatimes.com/industry/energy/power/covid-lockdown-to-impact-electricity-demand-cash-flows-for-discoms-icra/articleshow/74896822.cms?from=mdr>

- Average monthly thermal PLF would further drop to 50-52% against 63% in the corresponding period of previous year, due to a considerable drop in demand and consequently, power generation companies especially those without any long-term PPA's would be adversely impacted given the weakening of the power tariffs in the short term/power exchange market.
- The under-construction renewable power projects as well as EPC and manufacturing companies in solar segment are likely to face execution delays because of disruption in supply chain in India and labour availability, following the lockdown.
- Given the import dependency on China for sourcing of PV modules, the execution timelines for the ongoing solar projects is likely to be affected with delays in the delivery of PV modules following the outbreak of COVID 19 in China. This delay in turn would increase the pre-operative expenses and the overall project cost. This will have negative impact on the expected returns.

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17. Packaging²¹



- Packaging is the fifth largest sector in India's economy and is one of the highest growth sectors in the country. According to the Packaging Industry Association of India (PIAI), the sector is growing at 22% to 25% per annum²².
- The nationwide lockdown has brought the entire packaging supply chain to an almost grinding halt causing shutting of manufacturing as well as packaging plants due to shortage in the supply of raw material, labour and associated logistics and transportation.
- Packaging industry on the whole which has been under lot of pressure and a big target of late due to challenges associated with environment and sustainability and now this needs far more organizations, collaboration and technology integration to be able to sail over these disturbed surfs.
- Cumulatively, these factors will impact the packaging industry since a large section of the population holds on to discretionary spending that drive up the economy.

²¹ <https://economictimes.indiatimes.com/industry/indl-goods/svs/packaging/unique-challenges-facing-the-packaging-industry-in-light-of-covid-19/articleshow/74906953.cms?from=mdr>

<http://aaronfoodprocessing.com/influence-of-covid-19-on-international-market-impact-on-packaging-industry/>

²² http://piai.org/About_Packaging_Sector.aspx - accessed on 13th April 2020

18. Steel²³



- Steel is a major metal accounting for 63 per cent India's imports and 68 per cent of exports.
- The demand slowdown in the construction and automobile sector has impacted steel manufacturers significantly this year.
- A continuing slowdown in these sectors owing to Covid-19 and other factors, besides difficulty in realisation could add to the credit pressure on steel makers.
- Steel production are getting impacted due to staff shortage as many employees rush back to their hometown amidst the virus scare. Major domestic companies are now looking for suppliers in alternative markets such as Turkey and Brazil.
- The impact of a slowdown in global demand on the domestic sector will be limited as steel producers export only 8 per cent of their total production. But since the metal industry has strong forward linkages to many important sectors such as automotive, construction, infrastructure and manufacturing, a slowdown in business activity in these sectors will inevitably drive down the derived demand for metals. Since the lockdown, most of the major steel companies have cut production.

²³ <https://www.thehindubusinessline.com/economy/covid-19-impact-metal-firms-stare-at-uncertain-future/article31249577.ece>
https://www.business-standard.com/article/companies/covid19-impact-steel-companies-struggle-with-labour-shortage-post-lockdown-120040201182_1.html

19. Technology²⁴



- The outbreak of COVID-19 is having a significant impact both negative and positive on the Technology Sector. IT/ITeS Sector accounts for a major share of exports.
- IT and IT-enabled services companies in India may have to trim their workforce or hire more flexi staff as part of cost cutting measures with projects getting delayed due to the Covid-19 pandemic.
- Flexi Staff could be first to be laid off during the year as they have minimum compliance requirements and they have flexible cost. Indian BPO Company is facing significant challenges in the short and medium term due to restriction imposed by outbreak of COVID-19. Companies are facing challenges in organising thousands of computers and internet connections in such a short time for employees to work from home.
- The major impact of COVID-19 is felt on hardware business, software business and services business. Adoption of collaborative applications, security solutions, Big Data and AI are set to see an increase in the coming days.
- It has also given an opportunity for Hardware Vendors. However, there can be slowdown in terms of discretionary IT spending, contract renewals and new deals getting signed as enterprises recalibrate by cost structure in coming months. Existing project executions have also taken a hit due to travel restrictions in place.

²⁴ <https://www.livemint.com/industry/infotech/covid-19-impact-it-ites-sector-may-trim-workforce-to-cut-costs-11585297424144.html>
<https://economictimes.indiatimes.com/tech/ites/no-outsourcing-for-these-business-processes/articleshow/74901302.cms?from=mdr>
<https://www.deccanherald.com/business/covid-19-lockdown-at-least-469-persons-in-8-it-ites-companies-in-bengaluru-lost-jobs-says-cit-823128.html>
<https://www.idc.com/getdoc.jsp?containerId=prAP46181620>
<https://economictimes.indiatimes.com/tech/ites/covid-19-to-hurt-it-services-sector-growth-may-fall-to-3-5-in-fy21-icra/articleshow/75069492.cms?from=mdr>

- IT vendors will be forced to relook at their growth targets for the rest of the year as the impact will become evident in the next few quarters. On the other hand, it has provided an opportunity to IT vendors to test their resilience on business continuity, remote connectivity, and security as they look at innovative ways to service their clients. Enterprises are looking at IT vendors to handhold them in the hour of crisis.
- The positive impact is an acceleration of remote working and a rapid focus on evaluating and de-risking the end-to-end value chain. There is also potential reduction in carbon emission's leading to better sustainability practices.
- Companies with remote-working technologies are showing an upward trend as businesses increase their remote-working capabilities.
- The demand for security software has increased due to increase in remote working to secure endpoints, especially log management, cloud based tools and Virtual Private Network.
- Major demand is seen for laptops, desktops and other mobility devices to support employees working from home. Similarly teleconferencing software will show and upward movement as companies will encourage the employees to communicate through teleconferencing mode.
- Increase for communication equipment are also showing an upward trend as educational institutions go for an online courses and online exams.
- Making use of the next-generation technologies, such as AI, faster processing and higher accuracy can be provided by advanced analytics and AI to identify trends, patterns and intelligent forecasts about the spread of the Coronavirus.
- IT vendors should focus on building/improving capabilities on AI and Big Data as new challenges and use cases emerge.

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20. Tourism and Hotels²⁵



- Due to outbreak of COVID-19, tourism sector may hit the hardest with a huge loss of overall INR 5 Crore and job cuts for around 4-5 Crore people.
- There has been large scale cancellation of travel plans by both Domestic Tourists as well as Foreign Tourists. There has been a tremendous drop from January 2020 to April 2020 as compared to the same period in 2019.
- The premium hotel industry is highly dependent on MICE (Meetings, Incentives, Conferences and Exhibitions) activities and Corporate Travel. Therefore, there is a huge impact in this pandemic situation.
- Major cancellations are received for the month of April 2020 and May 2020. The occupancy rate was very low in January 2020 to March 2020 as compared to 2019.
- Curbs on VISA and progression of COVID-19 globally will lower the occupancy rate of hotels, thus increasing the operating costs and eroding the margins.

²⁵ <https://www.livemint.com/companies/news/companies-find-logistics-a-hurdle-to-deliveries-11585934406551.html>
Source: FICCI

21. Textile and Apparel²⁶



- India is one of the world's largest textiles and apparel producing countries. The sector accounts for 13 per cent of the country's industrial production and contributes 12 per cent to the nation's export earnings. The industry is the second-largest employer in the country, next only to agriculture, and provides employment to 45 million people.
- The economic shocks that follow the COVID-19 pandemic come at a time when the sector was already struggling from the after effects of demonetisation and other declining economic indicators.
- Many global buyers are expected to file for bankruptcy or go into liquidation, which would leave textile manufacturers including those in India with crippling levels of bad debt.
- With around 80 per cent of the garment industry mostly micro, small and medium enterprises, apparel industry body viz Clothing Manufacturers Association of India, which has around 3,700 members employing over 7 lakh people, said most of its members do not have the kind of reserves to see them through 3-6 months of this magnitude²⁷.
- It is certain that closing stores and factories across the country will cost India's textile and apparel industry dearly. The export sector is already besieged with cancelled orders and a drying up of future orders for the next four to six months. Domestic consumption was probably the last oasis, but with the shutdown of all forms of commerce, stakeholders are left with few options.

²⁶ <https://economictimes.indiatimes.com/industry/cons-products/garments-/textiles/lockdown-1-crore-job-cuts-likely-in-textile-industry-without-govt-support-says-cmai/articleshow/75125445.cms?from=mdr>
<https://thewire.in/business/textile-industry-covid-19-government-help>

²⁷ <https://economictimes.indiatimes.com/industry/cons-products/garments-/textiles/lockdown-1-crore-job-cuts-likely-in-textile-industry-without-govt-support-says-cmai/articleshow/75125445.cms?from=mdr>

- In urban centres across the country, apparel retailers and garment factories employ millions of semi-skilled and unskilled workers. Without export orders and a restarting of the economy, many will be either forced to shut shop entirely or inflict stringent cost-cutting measures, including layoffs. Add to that the fact that the sector is driven by consumer sentiment and discretionary spending, both of which are at an all-time low.
- From a manufacturing perspective, employment would be impacted owing to limited demand in both domestic and international market.
- If the garment industry closes down, it would impact the entire value chain from fabric supply industry to brand to the zipper and label industry.
- Seeking a financial package from the government for the industry, like wage subsidies must be taken up, otherwise there would be huge job losses. Governments around the world have favoured this approach. The UK, to cite just one example has promised to pay its workers up to 80% of their wages to avoid mass layoffs. Government to defer all statutory payments, so that members could pay salaries and marginal suppliers. Government to support in terms of availability of capital when the industry resumes operation after the lockdown.
- To refund GST payments made in part or full for the past six months. This will cover almost the entire gamut of industry stakeholders, right from the handloom weavers in the remote parts of the country to the shopkeepers and traders in the now deserted high streets. It would also be possible to do this on a sector-specific basis since GST refund rates can be decided based on the HSN codes used by registered dealers on their invoices, and will also strengthen the government's push for greater compliance.
- The export sector is likely to be the worst hit, and will surely lose further market share to competition from other countries, most notably China (which is already recovering from the impact of the virus). The sector will need an immediate package of incentives such as Extra Duty Drawback on exports made in the previous Financial Year (since exports are likely to be slow in coming months), and obviously, a continuation of the same to this Financial Year.
- Once the lockdown is lifted, the government can provide a reduced GST rate on all textile articles to kick-start demand until the industry recovers sufficiently just as they had done for the auto industry in the recent past.
- The textile and apparel industry requires special attention given its role as the second-largest employer of human capital in the country.

22. Transport and Logistics²⁸



- A highly fragmented and unorganised industry, India's logistics sector is in disarray because of disruptions caused by the nationwide lockdown.
- Due to complete shutdown of public transport facilities, workers required for handling and transportation of essential commodities and supplies, now need to commute to their workplace on barefoot.
- The performance of the manufacturing and transport & logistics sectors are quite interdependent. The current lockdown has effectively put curbs on both the above mentioned segments. The complete lockdown of other businesses and supporting services, has also aggravated the situation.
- Across the country, the lockdown has resulted in labour shortages, which in turn has added to the limited availability of transportation facilities. "The delayed deliveries are likely to disrupt the businesses that operate on "just in time or limited inventory" basis.
- There have been complaints of shipment delays between India and China, there are serious concerns regarding the overall earnings of Indian shipping companies in the first quarter of 2020.

²⁸ <https://economictimes.indiatimes.com/small-biz/sme-sector/hit-by-a-virus-and-lockdown-the-wheels-are-coming-off-the-indian-logistics-industry/articleshow/74882675.cms>
<https://economictimes.indiatimes.com/markets/stocks/news/coronavirus-its-impact-on-various-sectors/shipping/slideshow/74490814.cms>

- There has been a sharp drop in the dry bulk cargo movement since the third week of January 2020, as the shutdown in China has meant that ships cannot enter Chinese ports.
- Ensuring nationwide access to essential commodities and medical supplies can only happen with a strong logistics and supply chain backbone.
- It is imperative that regulators and law enforcement authorities recognize logistics industry as essential services to keep critical supply chains up and running.
- It is crucial that companies assess their supply chain risks and proactively develop mitigation approaches. These includes, looking at alternate channels of transportation, combination of transportation services – small trucks, tying up with three wheelers, two wheelers etc. for last mile essential goods delivery and consolidation of consignments.

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C Economy Support:

As per the FICCI, the Indian Government & RBI need to support the Indian industry and economy at this juncture in different ways²⁹:

- a) Bring down the cost of funds further through reduction in policy rates.
- b) Maintain liquidity at surplus levels and provide special liquidity support for any companies / NBFCs / banks that come under strain due to intensifying risk aversion in financial markets or due to large demand shock.
- c) Enable Credit and support easier credit facilities to effected sections of the businesses that operate on very short financial cycles and will be forced to stop production / trading for financial wants. Government / RBI should direct banks not to stop disbursement of loans under the expectation of project delays due to COVID-19.
- d) Increase credit limits for all regular banking accounts.
- e) Furthermore, flexibility needs to be given to the banking system to reschedule payment terms without the need for provisioning.
- f) The Corporate bond and commercial paper market are suffering illiquidity. RBI may take some steps to intervene, either directly or through the commercial banking system, to ensure that adequate funds flow into this market.
- g) Increase Drawing Power.
- h) Direct banks to look at a limited window of next 6 months for General Corporate Purpose.
- i) Relax fiscal deficit targets in order to support growth.
- j) Substantial increases in public health spend is needed to ensure adequate supplies to deal with COVID-19: masks, gloves, medical kits for the health workers, medicine, health centres, more hospitals etc.
- k) Increase overdraft facility to state governments from the RBI.
- l) Pay the pending GST compensation immediately.
- m) Reduce the GST rates and widen the net to include electricity, petro-products, real estate.
- n) Ensure all pending payments to vendors are cleared immediately by the government departments.
- o) GST refunds should be cleared at the earliest.
- p) Since a large number of people will stand to lose their jobs especially in the retail, hospitality, travel, construction sector, the government can consider giving incentives for employers to keep the workers, while the corona virus problem tides over.

²⁹ Source: FICCI

- q) Relax factory compliances to enable the industry to continue operation with a much lesser workforce over longer work / shift hours but in a healthier environment. This will directly contribute to the governments call on social distancing.
- r) Provide income support to low income families through Direct Benefit Transfer.
- s) Constant communication at district level for response planning is a must. Any early communication of planned measures and joint planning with industry will help avoid shock to supply chains at a local level.
- t) Shipments from China have started to arrive; however, the ships are not being allowed to unload their goods in India due to fear of contagion. Government should find ways to facilitate the safe and fast unloading of shipments in India. Work out mechanism to reduce quarantine delays at ports.

Hope Is The Way Forward

The world is facing the worst epidemic industries have ever experienced. Everyone is in hope to get out of it, and things will bounce back to normal soon. The business has literally come to a standstill, and everyone is bleeding in an already challenging business scenario. The time is challenging for everyone across industries. Even if the COVID-19 cases decline, the recovery will still take at least 8-10 months.

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Thank You

For Internal Training & Circulation

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