

stemming from the third wave is expected to be lesser than previous waves, but the services sector is still likely to bear the brunt of the current wave.

Nomura expects the [Reserve Bank of India](#) to delay the reverse repo rate hike from its current expectation of February to April 2022. It also expects the third wave to be inflationary. It expects headline inflation to rise from 5.6% year-on-year in December to 6.0-6.5% in January.

Impact on Indian airlines:

India's domestic passenger traffic has also dropped 37% since January 1 with less than two lakh people flying daily.

An analysis by rating agency [Crisil](#) shows Indian airlines are expected to post a record loss of over Rs 20,000 crore in the current financial year because of the third wave and higher aviation turbine fuel prices. This is 44 per cent higher than the loss of Rs 13,853 crore reported last year.

"The three large airlines (IndiGo, AirIndia and SpiceJet) have already reported a net loss of Rs 11,323 crore in the first half of FY22. The sharp jump in domestic air traffic would have cushioned the losses in the third quarter, but the net loss will increase significantly in the fourth quarter as the third wave has brought back travel restrictions and flight cancellations. As a result, we expect Airlines to report steepest net loss this fiscal," said Nitesh Jain, Director, CRISIL Ratings. Moreover, ATF prices, which account for a third of the operating cost, will accentuate pressure on profitability.

And, what about refunds?

Only 29% of people who canceled their flights due to the latest surge in Covid-19 cases were able to get a full refund from airlines/travel agents, an online survey by Local Circles has revealed. Of those who cancelled hotel booking, only 34% were able to get a full refund. The survey received more than 20,000 responses from citizens residing in 332 districts of India. 62% respondents were men while 38% were women. A similar survey conducted by LocalCircles during the second wave had indicated that 13% of citizens who had booked hotels were able to get a full refund.

Impact on auto industry:

Rating agency Icria has revised downwards the revenue growth forecast for the auto components industry for the current fiscal to 15-17 per cent due to the [Omicron](#) wave, delayed recovery in semiconductors shortage and muted two-wheelers demand. "Pass through of commodity prices will also inflate revenues by 4-5%. However, certain segments like two-wheelers and buses will be impacted by the Omicron wave. We expect delayed recovery in the two-wheelers segment because of affordability and dampened sentiments. Also, demand for buses is expected to be impacted during the upcoming school season for the third

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year in a row. Supply-chain issues could prolong further as well," said Icra.

Impact on agriculture

During the first two waves of the pandemic, the agriculture sector stood strong despite several supply chain challenges. Even in the third wave, agriculture sentiment has so far remained positive with Rabi acreage for field crops expected to be 1-2% higher on year. Crisil doesn't expect a meaningful impact of the 3rd wave on the overall agriculture sector with relatively better preparedness on the agri-input sector front.

But what about vegetable prices?

"Various states have announced weekend curfews, restrictions on vehicular movement, hotel operations and social gatherings at curtailed capacity. All of this has created a supply glut for few commodities. For crops like tomatoes the prices took a significant dip in January as compared to December'21," said Hetal Gandhi, Director, CRISIL Research.

In Azadpur mandi, the average price for tomato was Rs 2200/quintal in mid of december'21 when new arrivals had reached the market. Prices have fallen significantly to an average of Rs 1300 -1500/quintal during 1st to 13th Jan, 2022. Similar trend has been observed in Chittoor market of Andhra Pradesh which is one of the major tomato market in the country. Prices have fallen from Rs 3300/quintal during December to Rs 2100/quintal during 1st to 13th Jan, 2022. However, in other perishable vegetable crops like Brinjal and Okra, the impact on prices is not very significant, noted Gandhi.

What about NBFCs and bank loans?

Non-banking financial companies have largely been reporting normal to near normal operations. "Currently, while there is some impact of the fresh disbursements, the impact on collections remains low. With three successive waves of Covid, the impact on unsecured small ticket loans segments (such as MFIs, personal loans, SME loans) is higher than other asset (secured) classes. Once these borrowers slip into overdues, their ability to bounce back is limited.

As at the end of September 2021, the stressed asset book of MFIs (including OTR) ranges between 15-25%. Hence, the third wave of Covid, along with recent RBI guidelines restricting slide back of NPAs, will result in higher credit costs for these segments, mainly for MFIs. The credit costs for MFIs are likely to increase from 4.1% in FY21 to over 4.6% in FY22 and further remain upwards of 4% in FY23," said Sanjay Kumar Agarwal, Senior Director, CareEdge.

The third wave is posing a risk to asset quality of banks, especially the restructured loan book, says credit rating agency ICRA.

"Banks restructured most of the loans (during the second wave of Covid-19) with a moratorium of up to 12 months. This

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book is likely to start exiting the moratorium from Q4 FY2022 and Q1 FY2023. Therefore, a third wave poses high risk to the performance of the borrowers that were impacted by the previous waves and hence poses a risk to the improving trend of asset quality, profitability, and solvency," said Anil Gupta, vice president – Financial Sector Ratings at ICRA Ratings.

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According to ICRA, with incremental restructuring under Covid 2.0, the overall standard restructured loan book (mostly of borrowers impacted by Covid 1.0 and 2.0) for banks increased to 2.9% of standard advances as on September 30, 2021 (2.0% as on June 30, 2021). The restructuring under Covid 1.0 is estimated at 34% (or Rs 1.0 lakh crore) of the total standard restructured loan book of ₹2.85 lakh crore for banks as on September 30, 2021, while restructuring under Covid 2.0 is estimated at 42% or ₹1.2 lakh crore. The balance comprised micro, small & medium enterprise (MSME) and other restructuring.

ICRA estimates that 60% of the total restructuring of Rs 1.0 lakh crore under Covid 1.0 was accounted for by corporates and the balance (or Rs 0.4 lakh crore) by the retail and MSME segments.

Impact on mall revenues:

Renewed restrictions and localised lockdowns to contain the Omicron variant-led third wave will pare 10% off the rental revenue of mall owners this fiscal.

"The third wave-led restrictions on malls for the top eight cities are expected to last only 4-5 weeks compared with the median closure of 7-8 weeks seen during the second wave and 13-14 weeks during the first wave. Furthermore, unlike the earlier waves when malls were shut completely, metros such as Mumbai and the National Capital Region have only implemented capacity or timing restrictions so far in the current wave. This difference in response of state governments, supported by lower hospitalisation rates, augurs well for the malls business this time around, though the capacity and timing restrictions are expected to dampen footfalls and retail sales," said an analysis by Crisil.

Says Anand Kulkarni, Director, CRISIL Ratings, "The third wave may restrict recovery of mall revenue in fiscal 2022 to 70-75% of the pre-pandemic level as against earlier expectations of 80-85%. Retail sales in malls had reached 90% of the pre-pandemic level in the third quarter of this fiscal, supported by a rapid easing of restrictions post the second wave, pent-up demand, and increasing vaccination coverage. While the third wave may delay full recovery, the bounce-back is expected to be swifter and sharper."

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