CARE Ratings
Professional Risk Opinion

Covid Impact on INDIA Inc.

- Credit Perspective

June 17, 2020

Foreword

The general impact of COVID 19 on the economy including various sectors has been adverse as a rule with few *exceptions*. The overall prospects for the year do not look good; and while a negative top line GDP growth can be taken for granted, as a credit rating firm we are concerned on how our ratings get affected. The credit view hence of various sectors becomes important as at the end of the day, a partially functioning economy which would take an uneven amount of time across sectors to normalize would have a differentiated impact across the credit quality of industries.

We hence decided to do a deep-dive analysis of how various sectors would be affected and present an outlook for the year while highlighting the key issues confronting the industry. This we believe will put in perspective the prospects of the industry. We have also provided a flavour of the ratings position of these sectors by highlighting the dispersion of ratings as well as their transition in FY20 which will give an idea on how these industries stood prior to COVID-19. The Modified credit ratio is also provided for each of the these sectors. Against this background, we have also illustrated how rating actions changed post COVID-19. These indicators are facts against which we have subsequently juxtaposed our outlook.

Ajay Mahajan
Managing Director & CEO

State of economy in FY20 and issues relating to shutdown

Impact on GDP Growth

Q4 FY20 → 3.1%

FY20 → 4.2%

Main issues due to shutdown

- Sharp fall in revenue and profits
- Unemployment and salary cuts
- Labor migration
- Liquidity
- Capacity utilization
- Logistics

Total Economic Package Announced by Prime Minister

Breakup of Rs 20 lakh crs	Amount (Rs crs)
Total Announcement made prior to the 5 tranches	**1,92,800**
Tranche 1	5,94,550
Tranche 2	3,10,000
Tranche 3	1,50,000
Tranche 4 and 5	48,100
Viability gap funding	8,100
RBI measures	8,01,603
Grand Total	**20,97,053**

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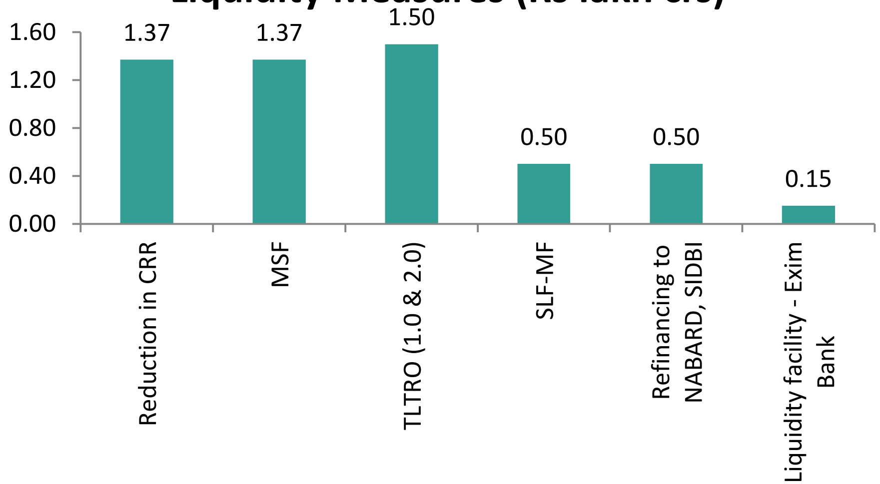
Measures announced by RBI and GoI (post lockdown)

Measures announced by RBI

Repo rate cut (27 Mar'20 and 22 May'20) → 115 bps

Reverse Repo rate cut → 140 bps

Liquidity Measures (Rs lakh crs)



Additional measures →

a. Loan moratorium (6 months)
b. Changes in NPA classification
c. WMA and CSF for states

Measures announced by GoI

Announcements	Amount (Rs crs)
PM Garib Kalyan Yojana	1,70,000
Spending on health sector	15,000
Support for MSMEs (including credit guarantee and liquidity infusion)	3,70,000
EPF relaxation	9,250
NBFC/HFC/MFI liquidity (Credit guarantee)	30,000
Partial credit scheme for NBFCs	45,000
Funds to DISCOMS (through PFC and REC)	90,000
Tax relaxation	50,000
Free food to migrants	3,500
Interest subvention on Mudra loans	1,500
Special credit line for street vendors	5,000
Credit Linked Subsidy Scheme for housing	70,000
Agri – Loans (KCC*, NABARD)	2,30,000
Infra to agri and allied	1,50,000
Social infrastructure	8,100
MGNREGA	40,000
Total	**12,95,150**

*KCC – Kisan Credit Cards

CARE's Estimate
Total outflow of GOI: Rs 1.41 lakh crs**
Outflow in FY21: Rs.0.75 – 0.8 lakh crs

** Includes allocations towards MNREGA, liquidity infusion in MSME, food subsidy, interest subvention and outlay for centrally sponsored schemes (agri and allied sectors)

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Going forward

Road to Recovery for sectors

Low impact with Recovery in 3 months

- Pharmaceuticals
- Retail – essential goods
- Renewables
- Power Transmission

Moderate impact with Recovery in 3 – 12 months

- Banks
- Roads
- Steel & Iron products
- Auto
- Thermal Power Generation
- Power Distribution
- Textiles
- Gems & Jewellery
- Cement

Severe impact with Recovery in over 12 months

- NBFCs
- Real Estate
- Hospitality & Tourism
- Retail – apart from essential goods
- Airport allied services
- Seaports

Outlook for the economy

Estimated GDP growth*: FY21 → -1.5 to - 1.6%

CARE's estimate Fiscal deficit as % of GDP: FY21 → 7.1% (incl state deficits ~11%)

* with strong downward bias. If assumptions are violated the GDP for FY21 could degrow by upto 5%

* based on the assumption that economic activities could see gradual restoration post June 2020 and move towards 50% normalcy post September 2020

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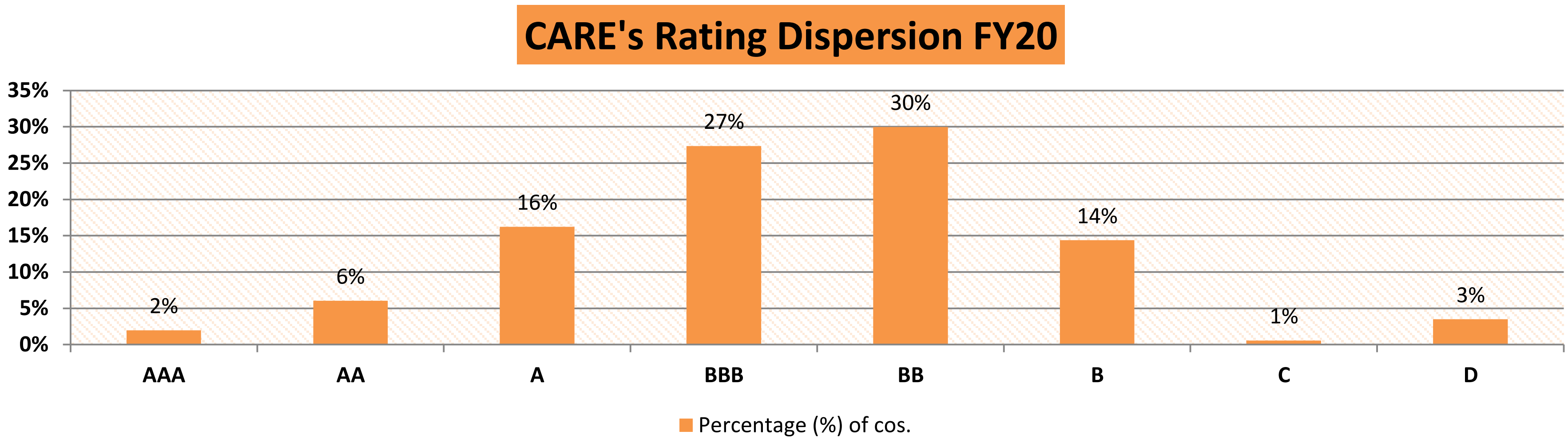
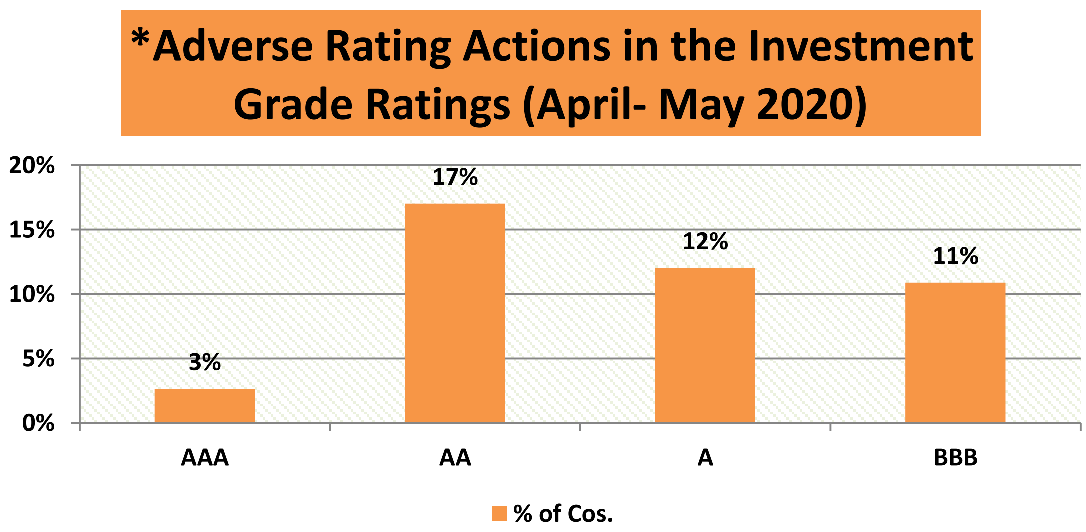
Rating Dispersion and Adverse rating actions due to COVID 19





In the months of April and May 2020, CARE Ratings had taken up a review for investment grade ratings in sectors, which, in our view, have been significantly impacted due to the emerging situation. Some of the sectors reviewed include NBFCs, Banks, Infrastructure sectors such as toll roads and power, real estate, airport allied services, automobiles, hospitality and export-oriented sectors like textiles and gems and Jewellery. The adjacent chart presents the adverse rating actions taken in our investment grade ratings in the last two months. These rating actions include downward revision in rating or rating outlook or credit watch

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Impact of COVID-19 on various sectors

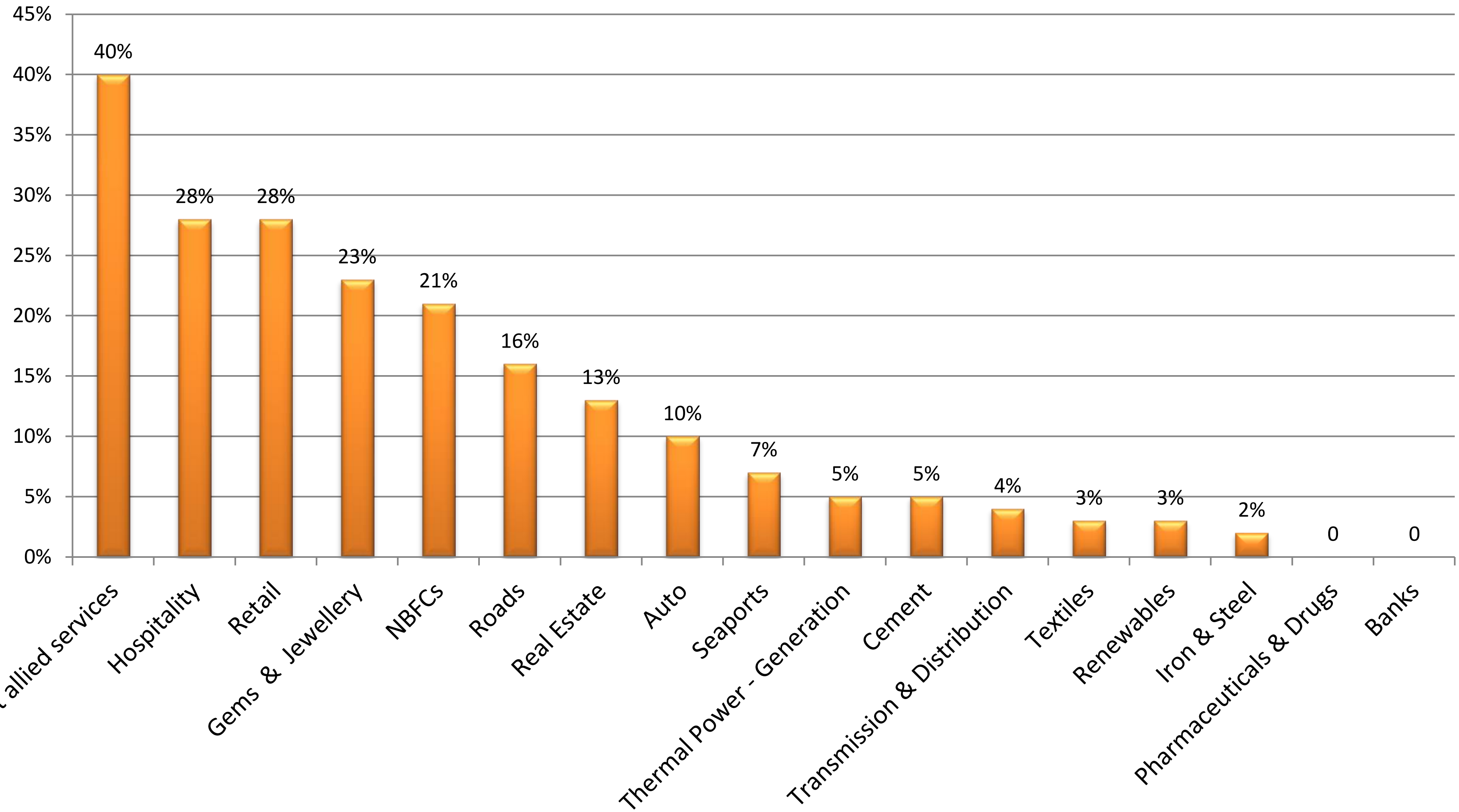
Covid- 19 is a black swan event which has presented itself in two different ways, viz. short-term contraction of demand/supply OR structural shift resulting in longer term impact on industry.

In our observation, the impact of COVID-19 on India Inc would be prolonged and accentuated for the small and mid-corporate sector and the financial services sector. The government of India has announced various measures including a guarantee scheme for the small and mid-corporate segment which is expected to cushion the impact. However, the efficacy of the measures and their transmission is a process closely connected with timely and appropriate implementation of the same.

The financial services sector including the NBFCs and Banking sector was already impacted by the sub optimal GDP growth of the last two years followed by liquidity crisis. The option of moratorium and its extension will aid in non-recognition (and essentially postponement) of NPAs for the sector. The borrowers making use of the moratorium facility would be typically more vulnerable relative to others. From the data collected by us from various NBFCs, the collection efficiencies are on an average of 50 percent with a wide range, of negligible 1-2% for MFIs and upwards of 80% for home loan/gold loan companies. In our view, there would be a mismatch in easing of lockdown and gaining momentum in operations and concomitant impact on debt servicing .

In the months of April-May 2020, CARE has not experienced any rating downgrade in the AAA category due to COVID-19. However, ratings of three securitisation transactions rated 'CARE AAA' have been placed on credit watch to study the impact of the lockdown on collection efficiency of the pools rated. In the AA category, the main sector which witnessed either a negative rating outlook or downgrade in ratings was the NBFC sector. With the advent of COVID-19, the NBFC sector, which was just recovering from a liability shock, was hit by an asset shock in terms of low collection efficiencies due to moratorium. Some of the NBFCs which had borrowings in the form of capital market instruments got little respite in scheduled payments shrinking their liquidity buffers. While for some NBFCs this may be a temporary issue, the ratings see downward revision in NBFCs with lending skewed towards stressed sectors.

Adverse rating actions due to COVID - % of CARE's Sector portfolio



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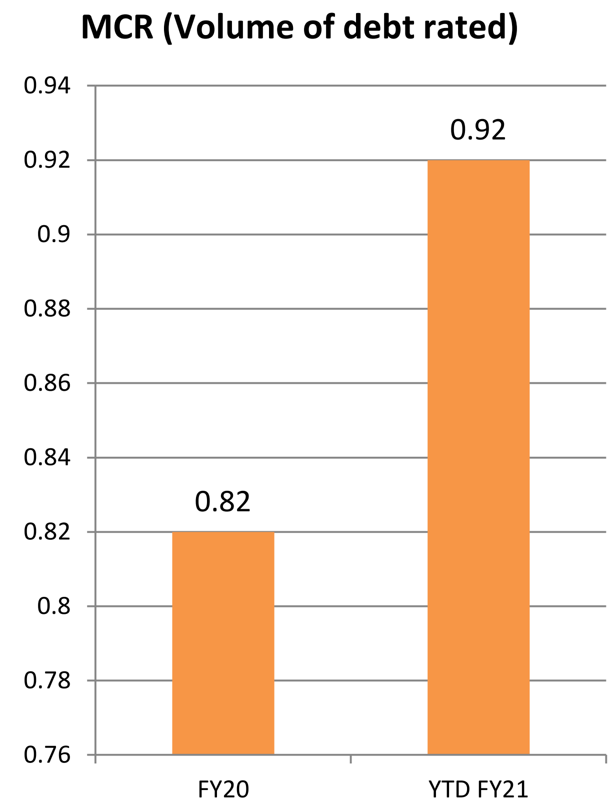
Industry-wise Modified Credit Ratio (MCR*)

Industry	FY18	FY19	FY20	Apr-May 20
Airport allied activities	0.57	1.00	1.00	1.00
Auto	1.20	1.13	0.95	0.65
Banks	0.92	0.90	0.93	1.00
Cement	1.32	1.06	1.09	0.33
Gems & Jewellery	0.95	1.03	0.85	0.97
Hospitality	1.15	1.01	1.03	0.82
Iron and Steel	1.12	1.30	1.06	0.91
NBFC	1.13	1.08	0.90	0.94
Pharmaceuticals	1.14	0.99	0.94	0.88
Power	1.33	1.08	1.01	0.89
Real Estate activities	0.88	0.93	0.86	0.79
Roads	1.10	0.85	0.96	0.69
Textiles	1.16	1.04	0.99	0.74
Wholesale and retail trade	0.96	1.07	0.96	0.84



Deterioration in MCR of most industries in Apr and May '20 due to COVID-19. However, MCR considering volume of debt rated is moving up in YTD FY21** as majority of entities with large debt size have seen lesser downgrades

** MCR :* (Upgrades+Reaffirmations)/(Downgrades+Reaffirmations)

Limitations of MCR : It captures only a picture of the portfolio reviewed in a particular period and not the entire portfolio; **it does not capture rating actions like assignment of negative outlook or credit watch**; it does not capture reasons for actions, which have to be assessed separately.

**Based on Press Releases published from April 01, 2020 to May 26, 2020.*
** For period April 1, 2020 to June 5, 2020.

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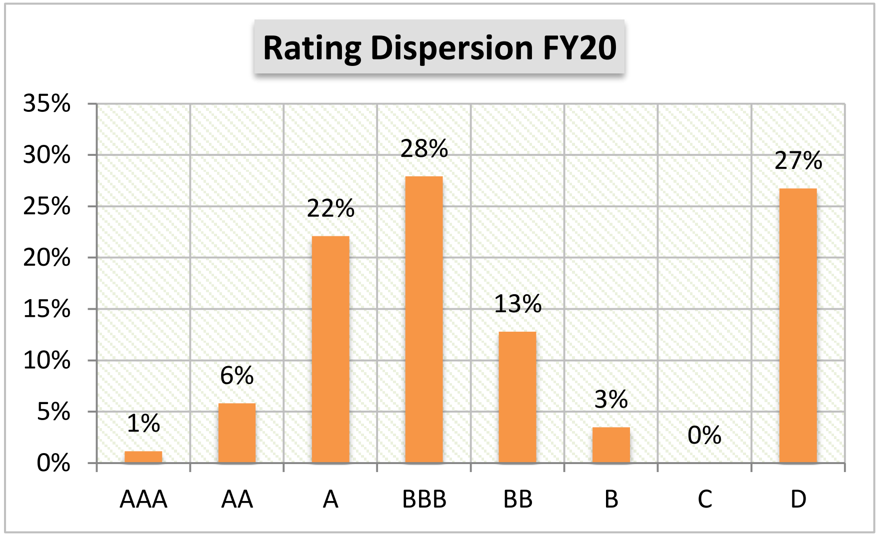
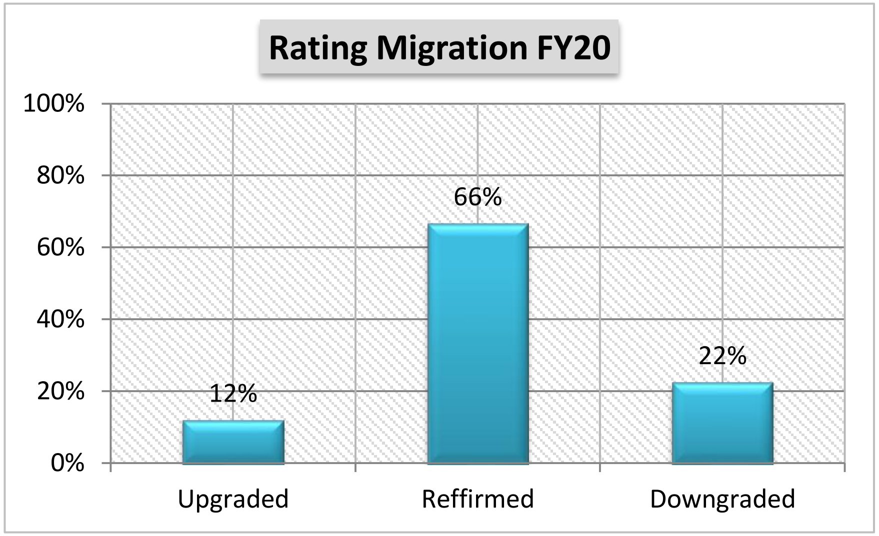
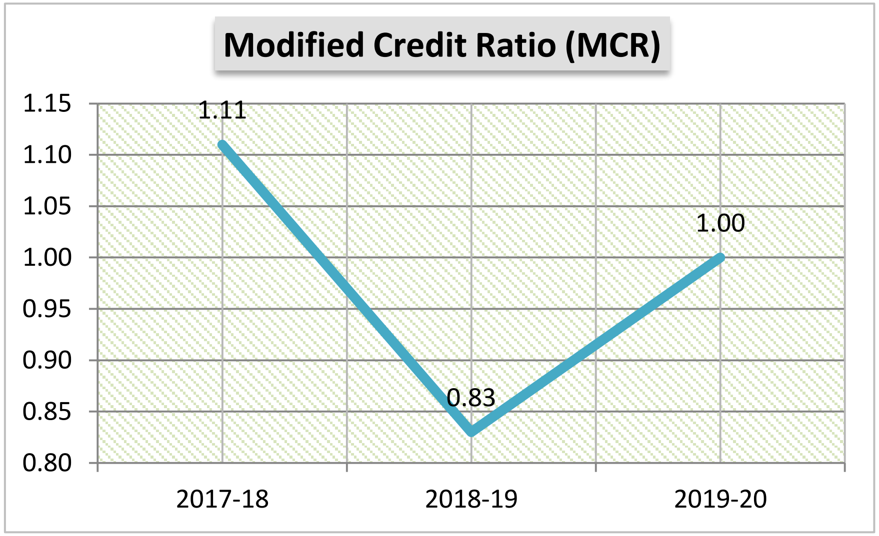
Sector Focus

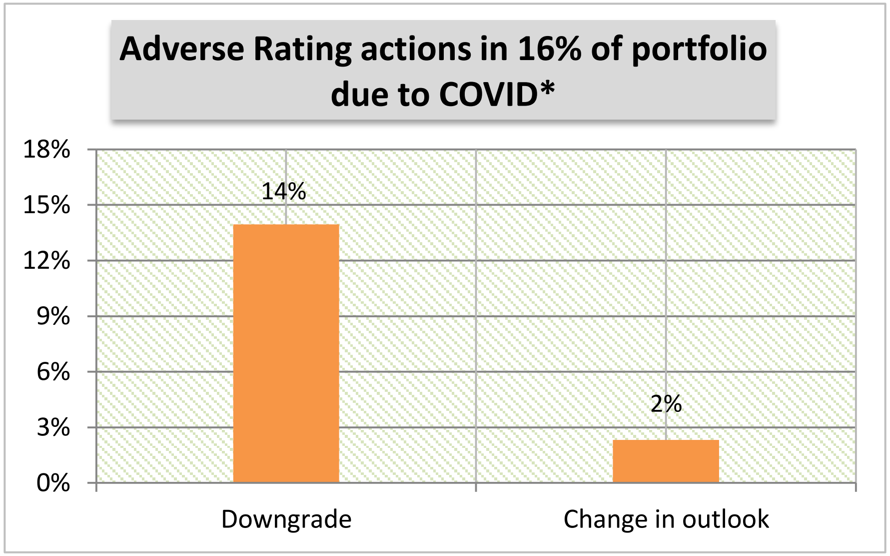
Infrastructure

Operational toll Roads - the year that was and COVID impact on ratings









**Based on Press Releases published from April 01, 2020 to May 22, 2020.*

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Roads Sector

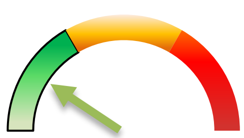
Key Issues

- Toll Suspension for NHs and few SHs
- Decline in traffic volumes due to lockdown
- Shortage of manpower and disrupted supply chain
- Risk aversion among lenders
- Poor Liquidity in case of weak projects
- Increased cost of funding Vs Interest Annuities for HAM projects
- Monsoon onset – to further distance traffic recovery

Ratings Outlook

- Developers with superior financial flexibility and liquidity buffer to remain better placed during pandemic
- **Annuity projects- Outlook Stable** – no disruption in annuity receipts
- Under construction projects to get EOT;
- **Toll Projects – Outlook - Negative** w/o liquidity back-up
- Force Majeure (FM) relief measures (only extension of concession and no monetary compensation) inadequate to address immediate liquidity issues.
- Likely rise in arbitration and disputes on FM measures
- Overall ratings for the sector are stable for annuity and with negative bias for operational toll roads.

Impact-o-meter and Recovery timeline



City Roads; Freight CV traffic carrying essentials or for warehousing

Diversified traffic mix; corridors in States under prolonged lockdown

Tourist /pilgrimage corridors

<3 months | 3-12 months

Low Impact | Moderate Impact | Severe Impact

CV- Commercial Traffic ; FM- Force Majeure; NHs- National Highways; SHs- State Highways; EOT- Extension of Time

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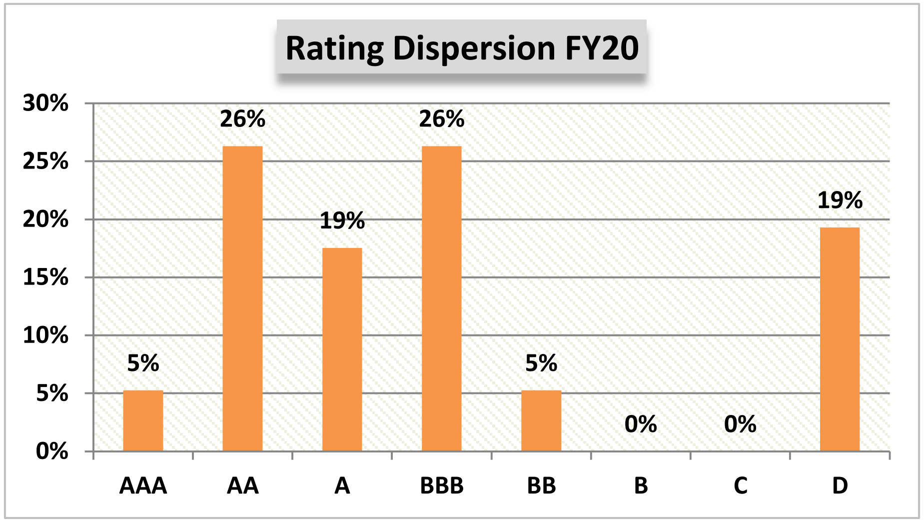
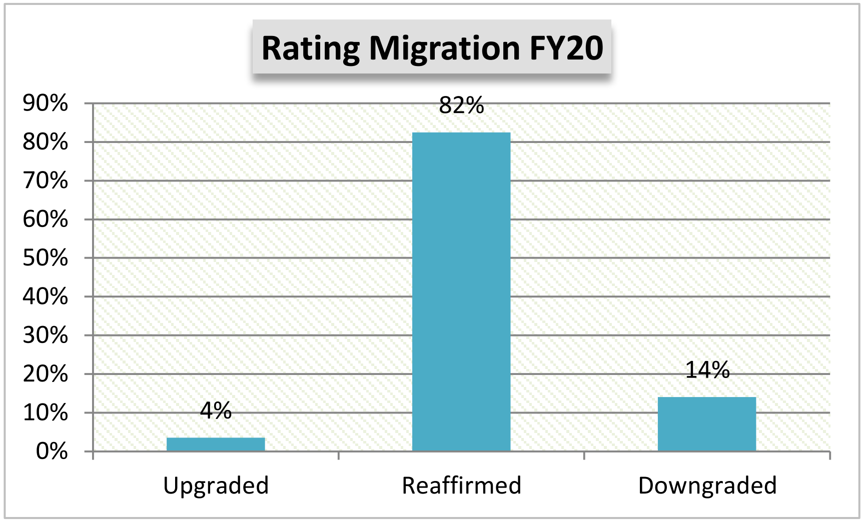
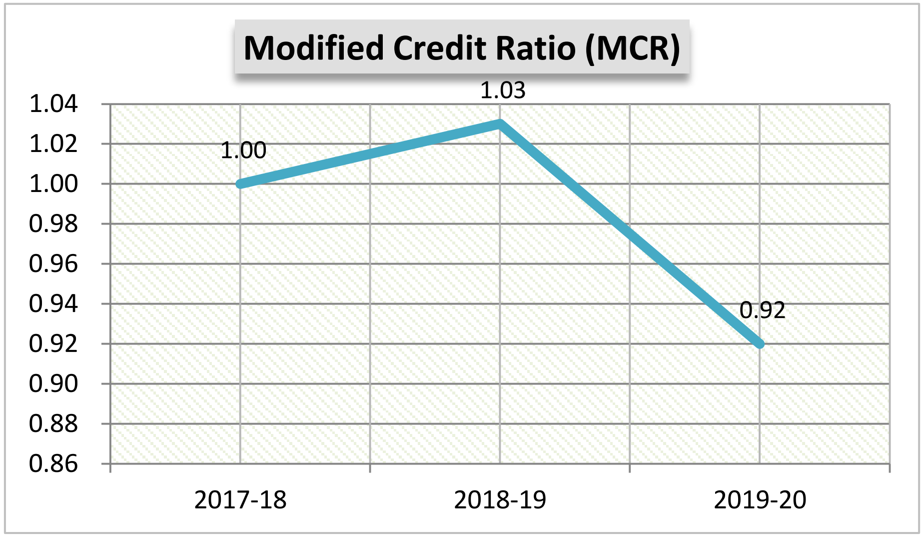
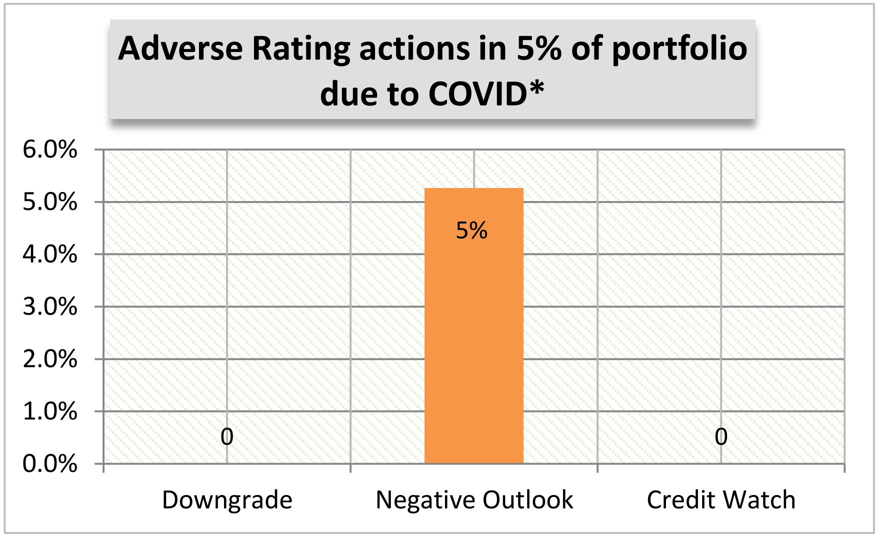
Thermal Power Generation - the year that was & COVID impact on ratings









**Based on Press Releases published from April 01, 2020 to May 27, 2020.*

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Thermal Power Generation

Key Issues

- Reduction in base energy demand from Industrial and Commercial customers, leading to lower Plant Load Factor (PLF)
- Payment for coal purchase continue to be in advance; however, any payment delay from DISCOMs will stretch working capital cycle which is highly likely
- Softening of merchant rate (due to lower demand) will impact cash accrual of plants with untied capacity

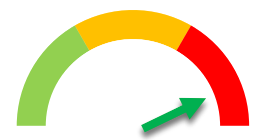
Ratings Outlook

- Projects having lower proportion tied up wit PPA are expected to have weaker cash flows (both in short term as well as in medium term) till annual base demand starts exhibiting positive trend.
- Projects having capacity tied up with weaker DISCOMs are expected to experience elevated liquidity issues. Rs 90,000 cr funding from REC/PFC is likely to aid the liquidity of GENCOS in medium term. However, implementation is the key.
- Given the lower power demand leading to higher coal availability, projects having two-part tariff are likely to post better recovery of annual capacity charge due to higher PAF.
- Overall Ratings for the sector to have negative bias

Impact-o-meter and Recovery timeline

Central GENCOS

IPPs with >80% capacity tied up with PPA



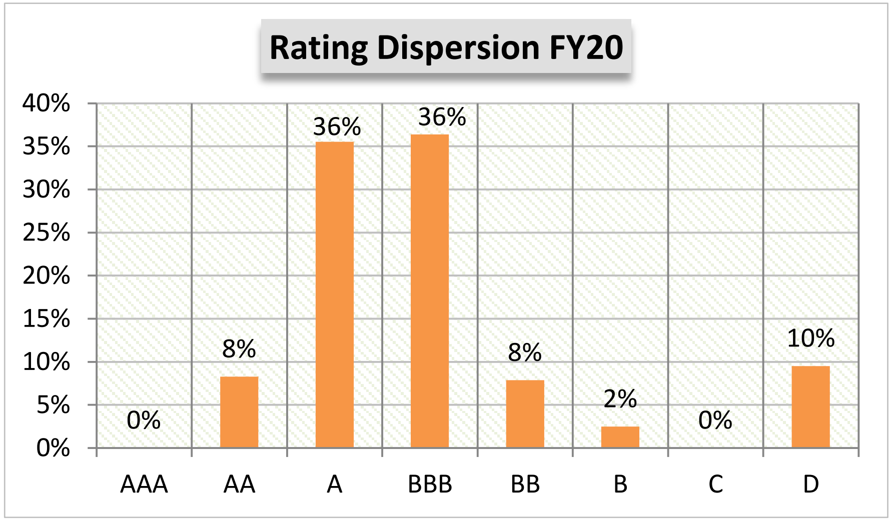
IPPs with higher proportion of untied capacity

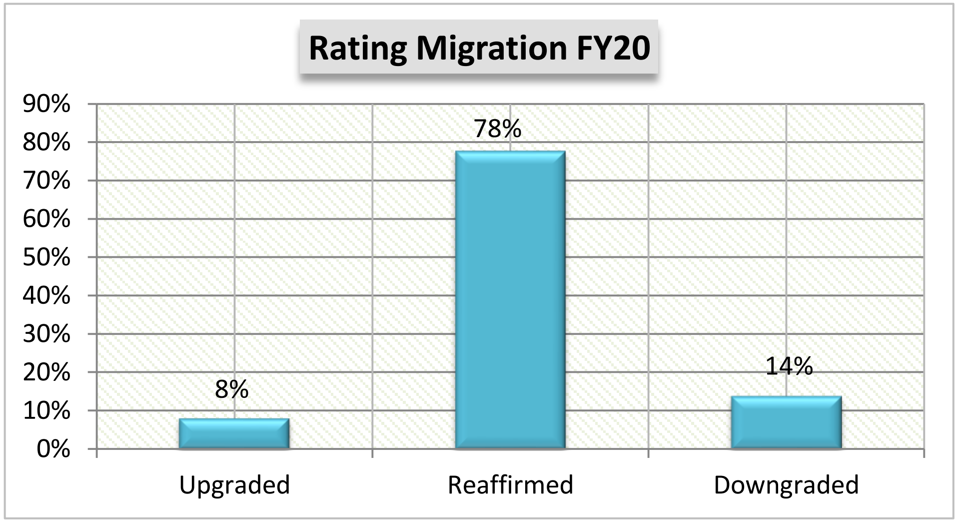
<3 months | 3-12 months

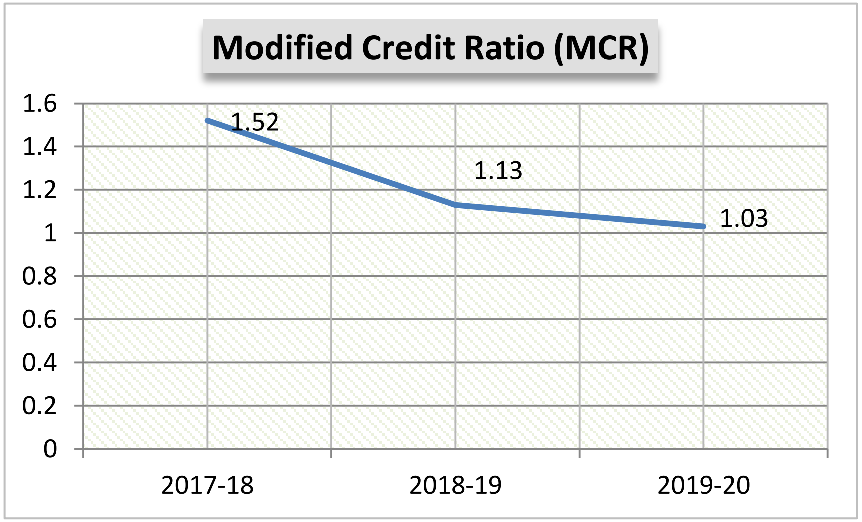
Low Impact | Moderate Impact | Severe Impact

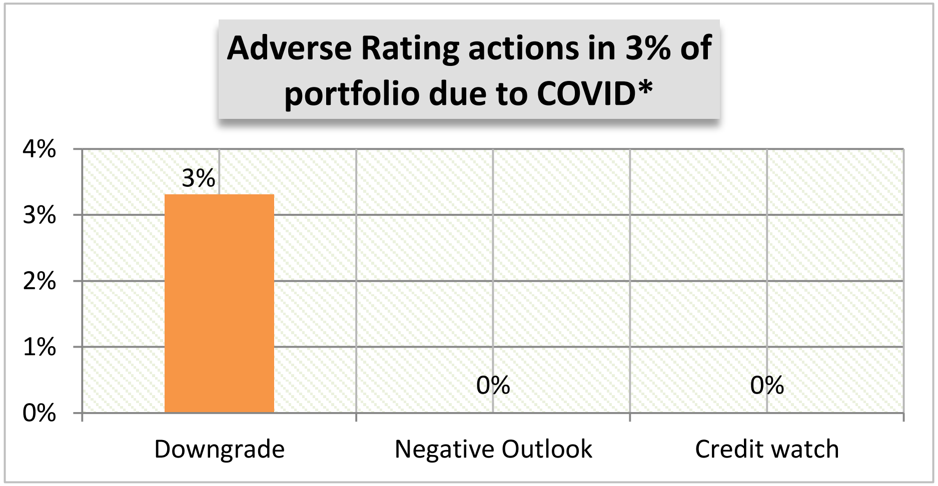
PPA- Power Purchase Agreement ; PAF – Plant Availability Factor; IPPs : Independent Power Producers

Renewables:Solar & Wind- the year that was and COVID impact on ratings









*Based on Press Releases published from April 01, 2020 to May 22, 2020.

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Renewables: Solar & Wind

Key Issues

- Supply chain of equipment is disturbed
- Shortage of workers
- Lower demand of power
- Payment delays from DISCOMS
- Reduced interest in the sector due to reneging of contracts

Ratings Outlook

- Power producers with strong parentage and available liquidity buffers to remain better placed
- Ratings of the operational projects with strong counterparty are likely to remain stable
- Operational projects with state DISCOMS as a counter party are facing significant payment delays from majority DISCOMS albeit with Rs.90,000 crore stimulus for DISCOMS, large part of overdue bills should be cleared in near term. However, timeliness and actual quantum to be critical for the ratings.
- As MNRE has already given blanket extension of 70 days to achieve CoD and further extension is likely to be considered on a case to case basis, ratings of under-implementation projects are likely to remain stable
- Companies executing Rooftop solar power projects are likely to remain under pressure as rooftop capacity addition is likely to take a hit due to Covid-19

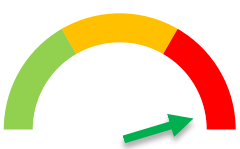
Impact-o-meter and Recovery timeline

Operational projects

<3 months

Under-implementation projects

3-12 months

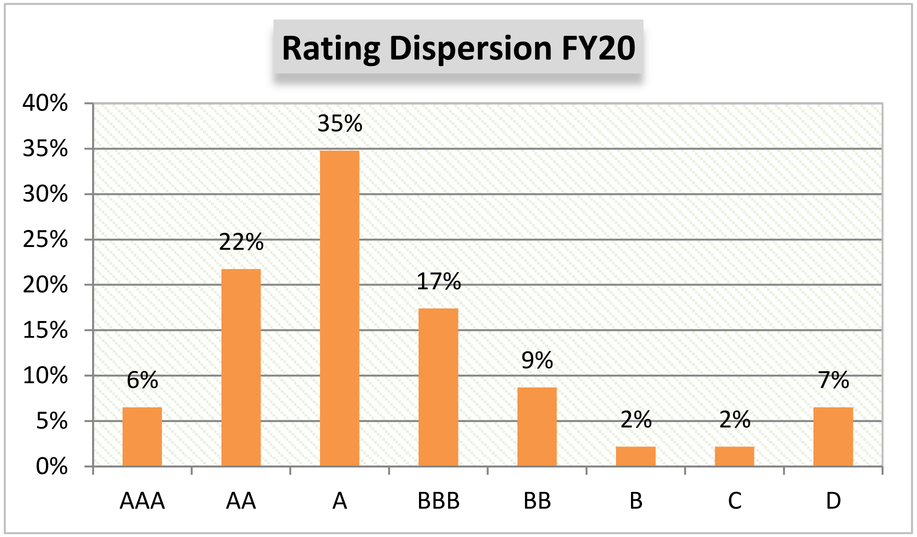


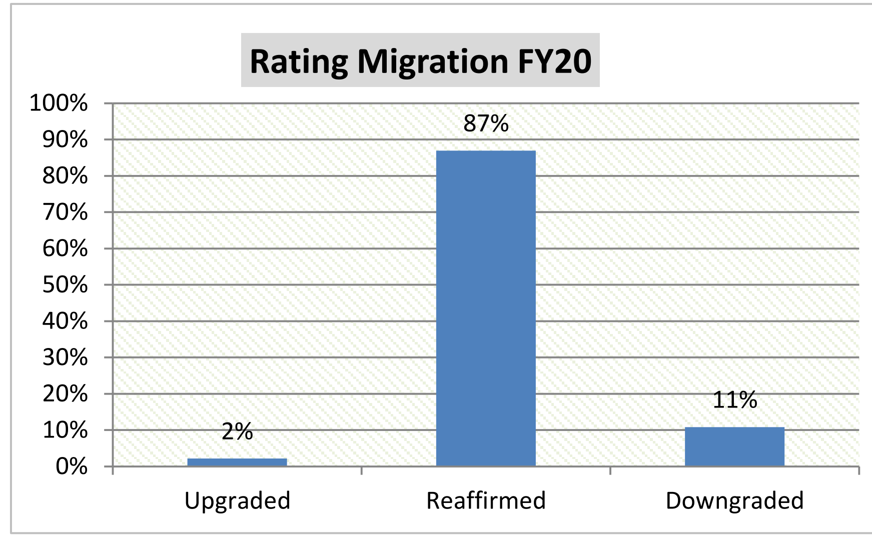
Solar Rooftop projects

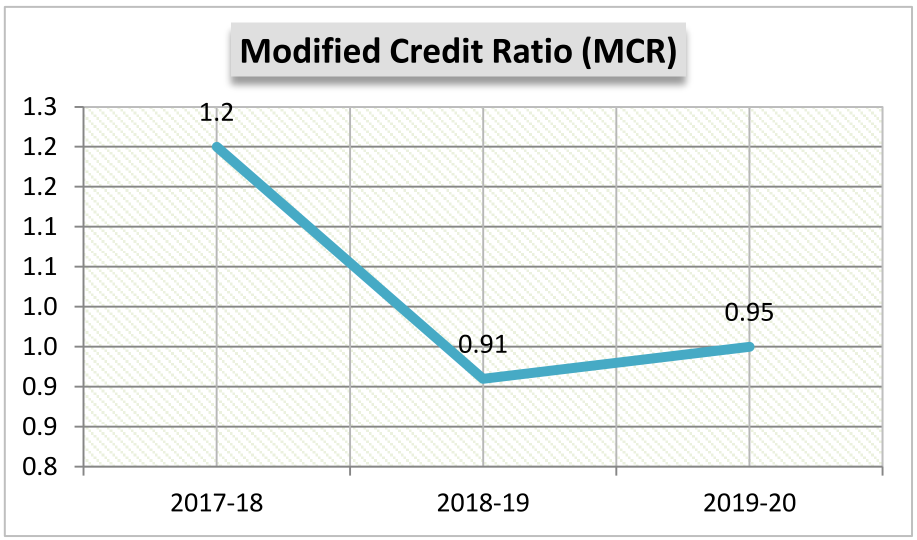
>12 months

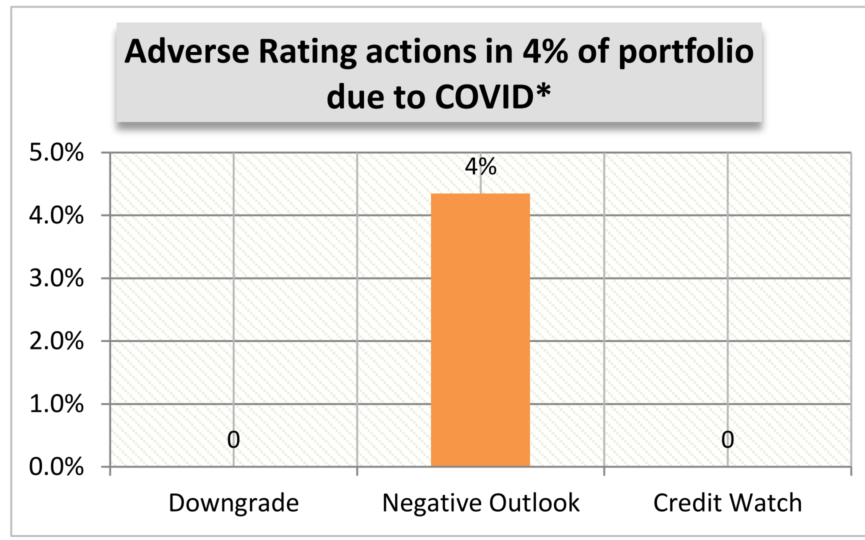
Low Impact | Moderate Impact | Severe Impact

Transmission & Distribution-the year that was & COVID impact on ratings









**Based on Press Releases published from April 01, 2020 to May 27, 2020.*

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Transmission & Distribution

Key Issues

TRANSCOS (Transmission Companies)

- Delayed payment from DISCOMs for intrastate TRANSCOS. Also, lower collection in the pool account has proportionately reduced collection efficiency for ISTS licensees
- Mild pressure on O&M cost

DISCOMS (Distribution Companies)

- Lower consumption in high tariff consuming categories (industrial and commercial), thus requiring higher subsidy support
- Significant decline in collection efficiency
- High fixed cost structure leading to lower cash accrual
- Increasing overdue creditors

Ratings Outlook

TRANSCOS

- Most of the CARE-rated TRANSCOS have comfortable liquidity cushion in the form of unencumbered cash and bank balances and unutilized WC limits to meet the O&M cost and interest

DISCOMS

- Cash flows have been impacted due to lower billing and collection. The subdued collection over a longer timeline may adversely impact the credit profile of the weaker DISCOMs. However, DISCOMS with higher proportion of online payments to have better liquidity
- Further the extent and timeliness of Govt./ regulatory support would have a bearing on the credit rating of the DISCOMs.

Impact-o-meter and Recovery timeline

TRANSCOS

<3 months

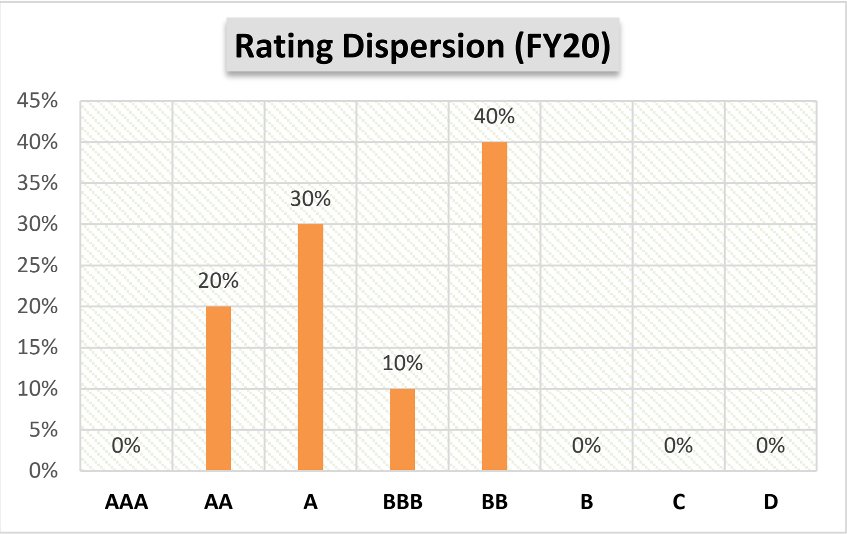
DISCOMs

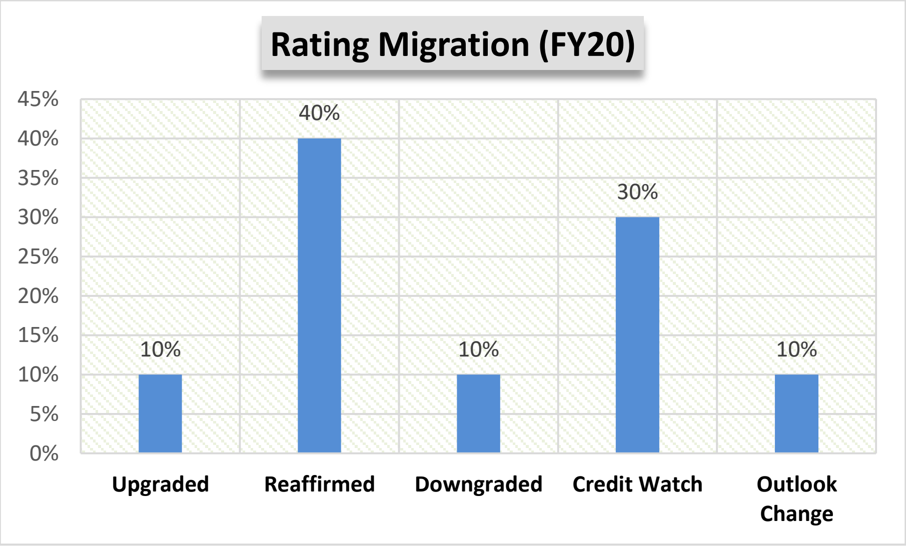
3-12 months

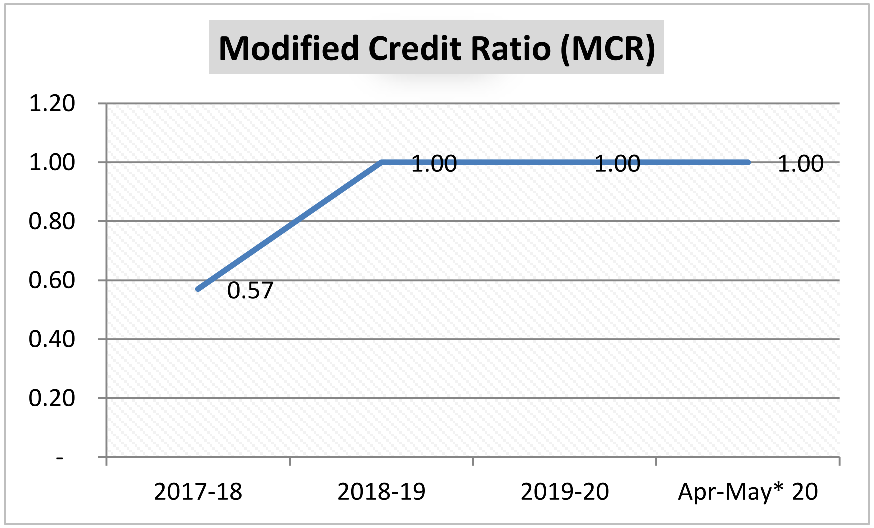
Low Impact | Moderate Impact | Severe Impact

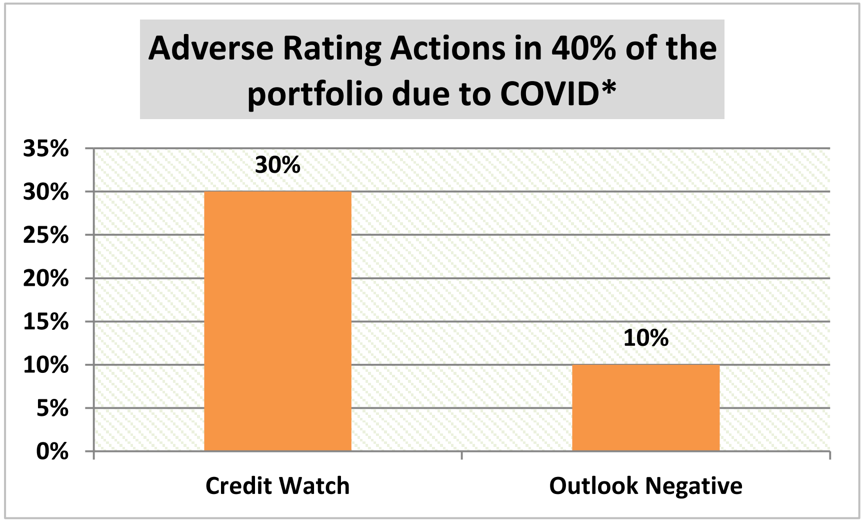
ISTS : Inter State Transmission System

Airport Allied Services - the year that was and COVID impact on ratings









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**Based on Press Releases published from April 01, 2020 to May 22, 2020.* out of outstanding 10 ratings

Airport Allied Services

Key Issues

- Significant drop in PAX volume – Travel ban/ restrictions & visa cancellations.
- Airlines have high fixed expenses and exposed to forex risk.
- Increase in ATF price by almost 50% on partial resumption of services with reduced passenger travel, to affect operating margins of airlines
- Airport operators & allied services under liquidity strain due to committed monthly fixed expenses.
- Leveraged capital structure with tightening Liquidity

Ratings Outlook

- Domestic PAX to witness a de-growth of 36%-39% for FY2021
- International PAX to witness a de-growth of 60%-70% for FY2021
- Freight operations to support revenue to an extent.
- Financial performance of airports operating under PPP model will suffer and liquidity will be under stress.
- Non aeronautical revenues (allied services) will have significant impact which is highly correlated with PAX volume.
- Financial viability of airports bid at high cost will face hurdles in achieving financial closure
- Full year outlook for the sector remains Negative

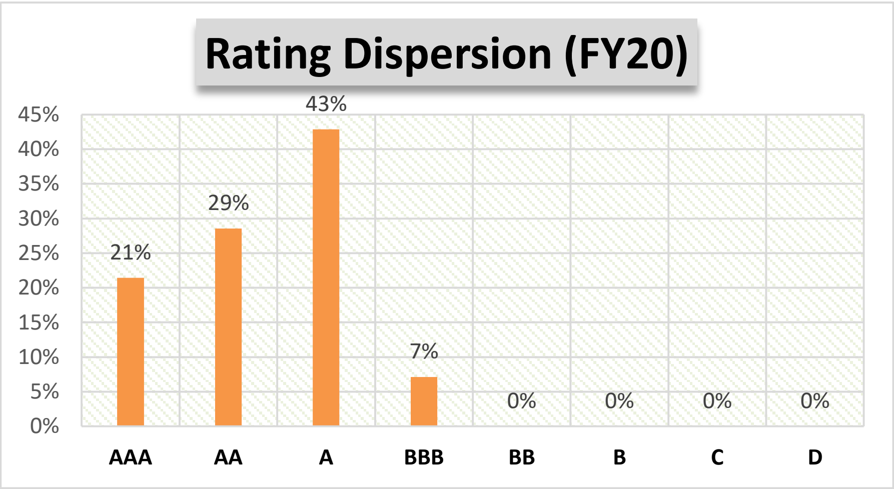
Impact-o-meter and Recovery timeline

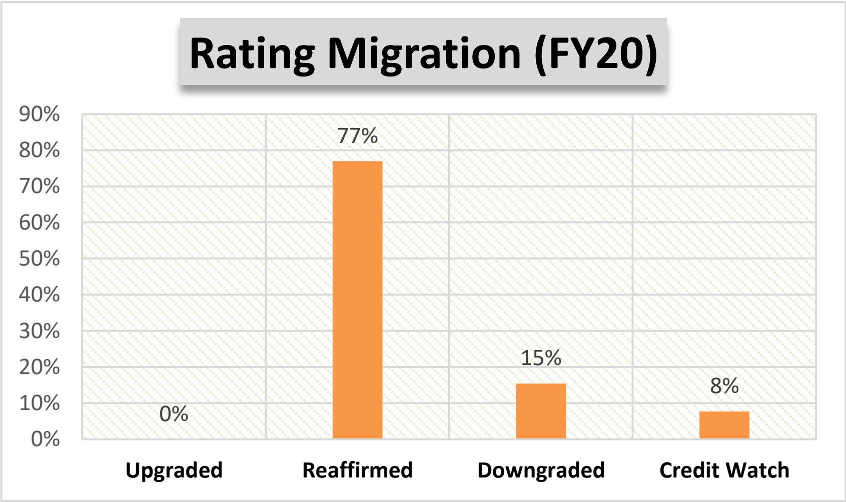
Airport Allied services

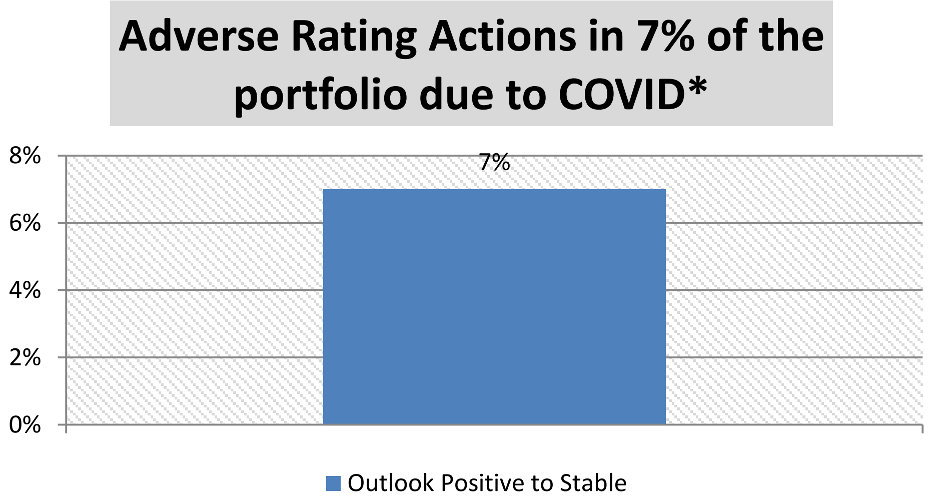
> 12 months

Low Impact | Moderate Impact | Severe Impact

Seaports - the year that was and COVID impact on ratings







**Based on Press Releases published from April 01, 2020 to May 22, 2020.*

Key Issues

- Significant shrinkage in volume- subdued global trade & domestic industrial activity during lockdown.
- Flight of labor
- Disruption in road logistics & courier services
- Non acceptance of digital documents by banks
- Congestion at ports, ICD, CFS and CTOs.
- Lack of single user interface for all stakeholders of value chain for smooth flow of cargo
- Leveraged capital structure with tightening Liquidity

Ratings Outlook

- Volumes for the full year expected to be muted inline with the estimated contraction in GDP for FY2021.
- Cargo segments (excl. containers) expected to shrink by 6-9% during FY2021.
- Crude Oil, LPG/PNG, Coal traffic are expected to bounce back post ease of lockdown and pick-up in domestic activity.
- Container volume is expected to shrink by 13-16% for FY2021
- Ports performance will be muted due to concession offered by MoS.
- SPVs with stronger sponsors (PPP Terminals) will sustain liquidity crisis.
- Full year outlook for the sector remains Negative

Impact-o-meter and Recovery timeline

Crude Oil/LPG/ Coal

3-12 months

Container

3-12 months

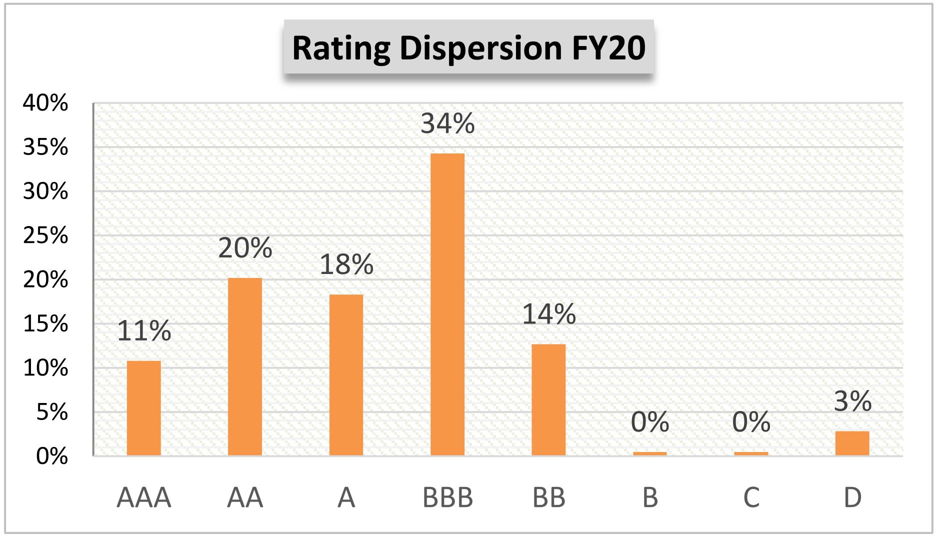
Other Cargo

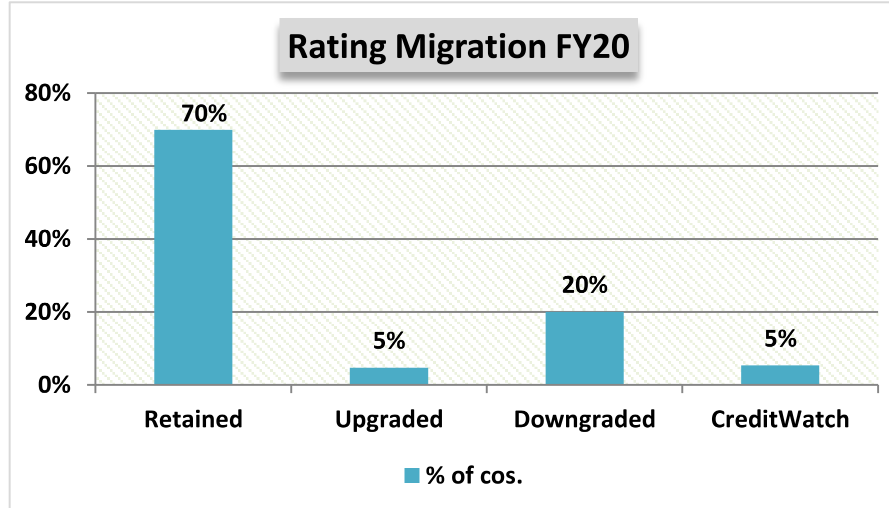
3-12 months

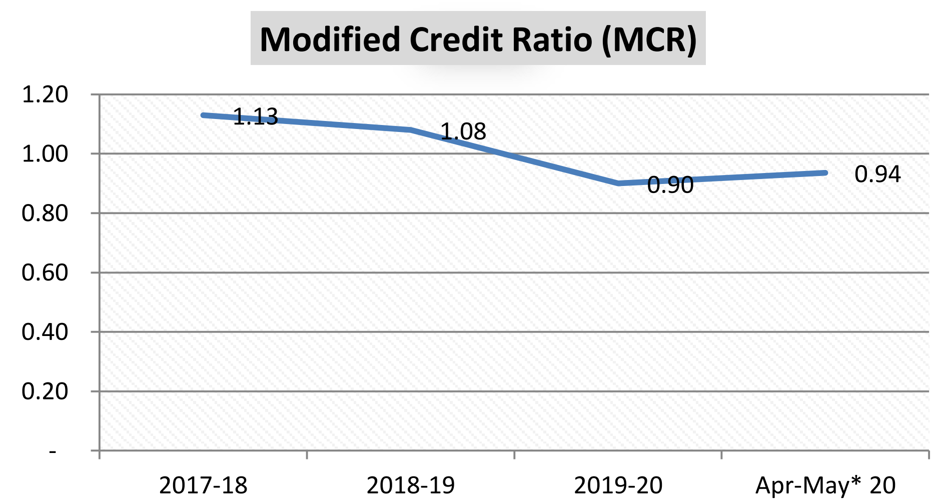
Low Impact | Moderate Impact | Severe Impact

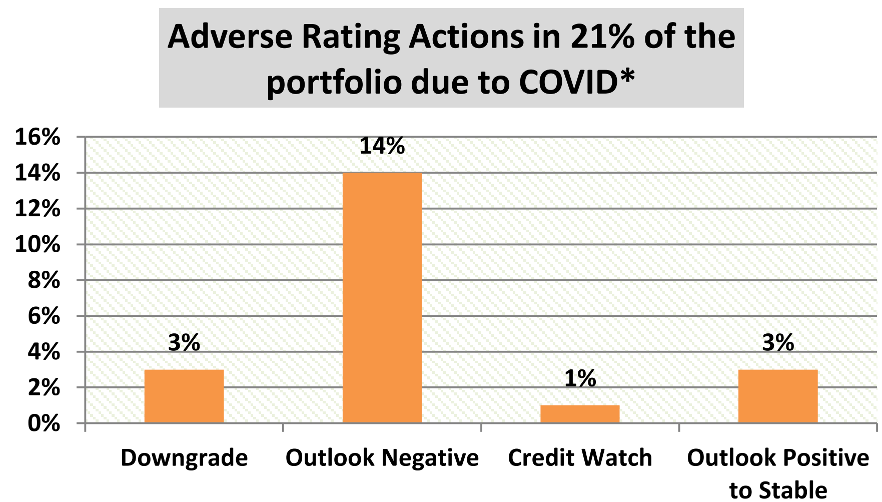
Banking & Financial Institutions

NBFCs - The year that was and COVID impact on ratings









**Based on Press Releases published from April 01, 2020 to May 28, 2020*

NBFCs

Key Issues

- Sector stabilizing post ILFS crisis; liability challenges were easing
- Moratorium provided to borrowers to cause cash flow disruptions; liquidity buffers likely to deplete
- Cost of funds inching higher
- Various govt. schemes yet to provide support where it is needed
- Larger NBFCs well capitalized with adequate liquidity buffers; can withstand a period of low growth
- Small/Mid-sized NBFCs more vulnerable

Ratings Outlook

- Outlook is negative.
- Growth, Profitability and Asset Quality to be adversely impacted
- Funding challenges mount for smaller/lower-rated NFBCs
- Retail portfolios also likely to come under stress
- Microfinance, MSME loan, CV, unsecured loan portfolio expected to be most impacted
- Securitization to face challenges amidst asset quality uncertainty

Impact-o-meter and Recovery timeline

Parent-Backed NBFCs

Retail NBFCs (Large)

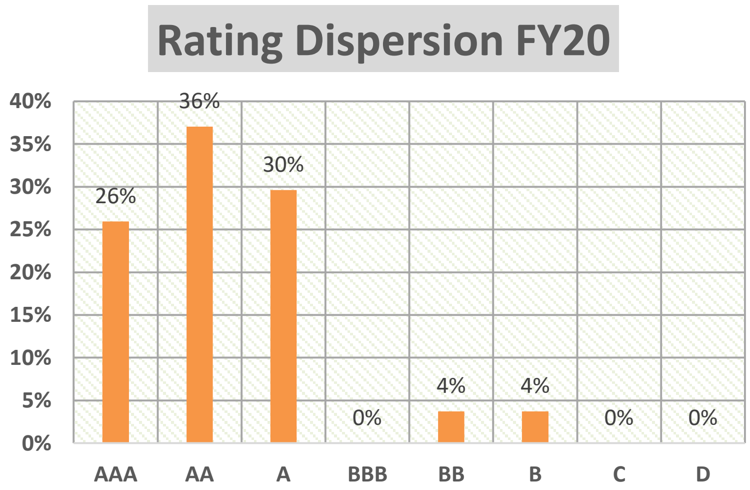
Wholesale NBFCs

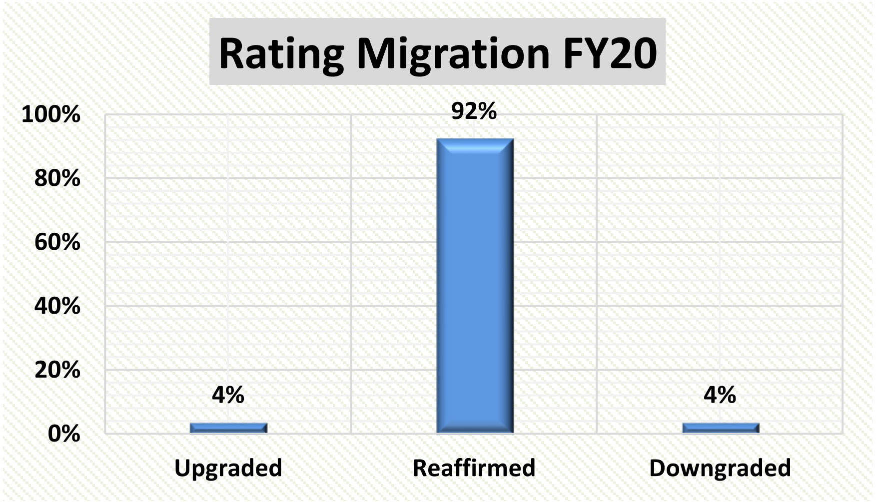
Small/Mid NBFCs

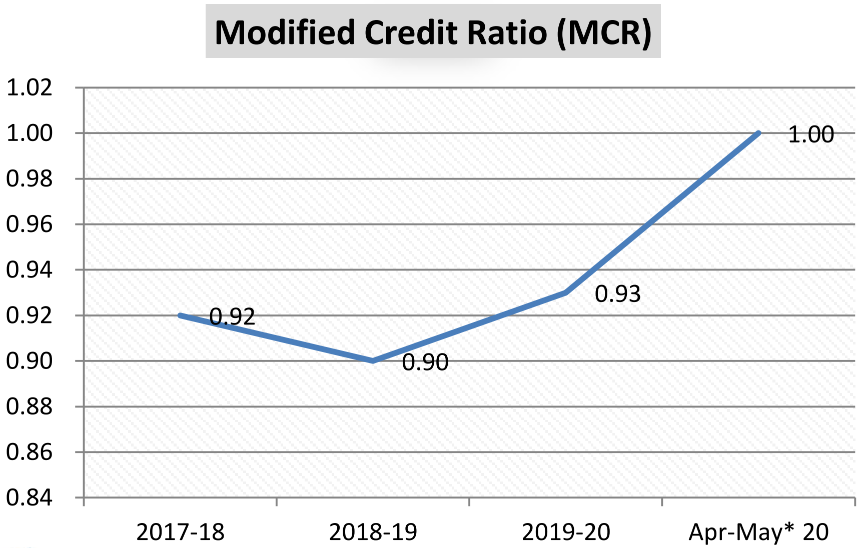
<3 months	3-12 months		>12 months
Parent-Backed NBFCs	Retail NBFCs (Large)	Wholesale NBFCs	Small/Mid NBFCs

Low Impact   Moderate Impact   Severe Impact

Banks - the year that was and COVID impact on ratings







Adverse Rating actions due to COVID – Nil

CARE Ratings
Professional Risk Opinion

Banks

Key Issues

- Decline in credit growth due to overall economic slowdown
- Impact on income profile due to lockdown
- Deterioration in asset quality in the medium term
- Increase in credit costs impacting profitability

Ratings Outlook

- Public sector banks expected to get continued GOI support
- Majority of the private sector banks remain adequately capitalised while provisioning would increase
- Some banks may see higher deterioration in asset quality in the medium term
- Rating notch down would be higher for hybrid instruments like AT I bonds
- Rating outlook is stable with a negative bias

Impact-o-meter and Recovery timeline

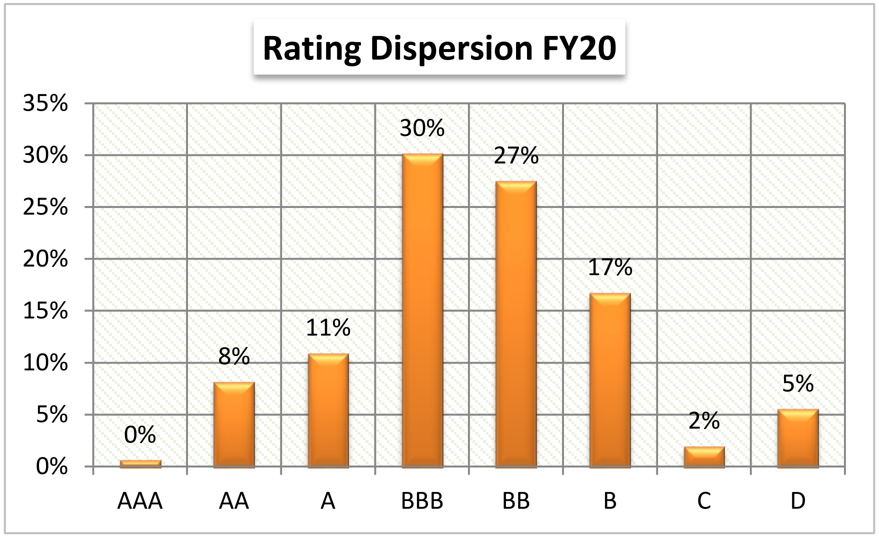
3-12 months

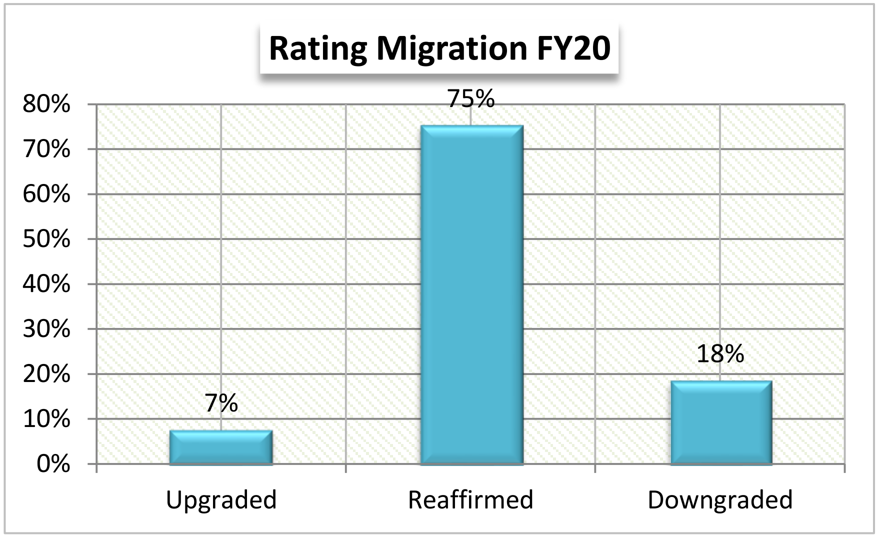
Low Impact | Moderate Impact | Severe Impact

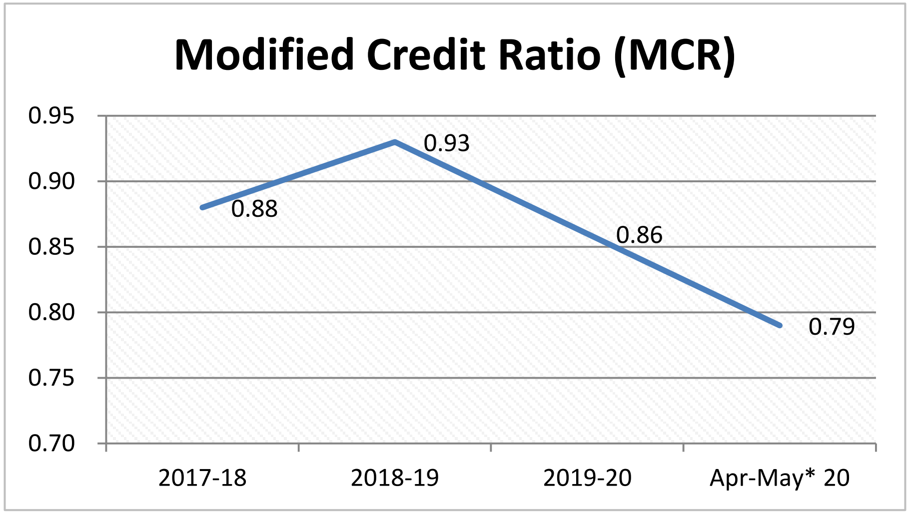
CARE Ratings
Professional Risk Opinion

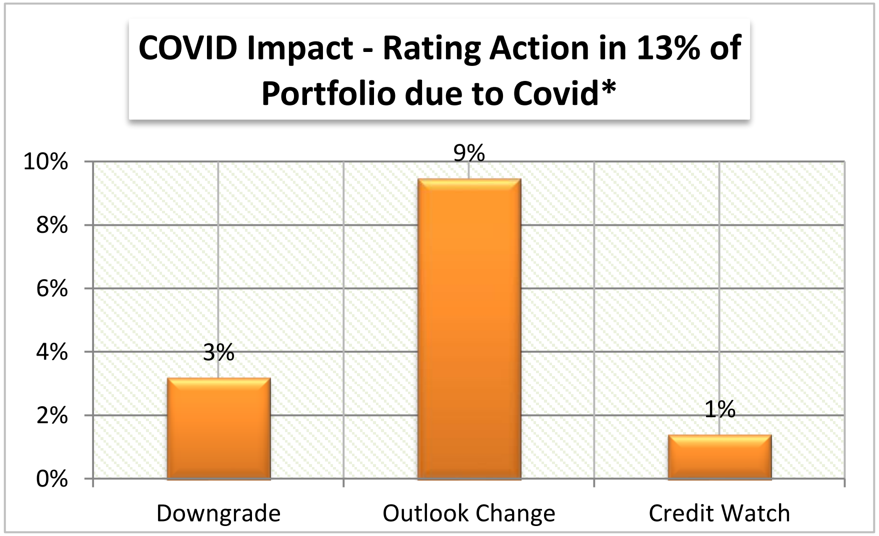
Manufacturing / Services

Real Estate - the year that was and COVID impact on ratings









*Based on Press Releases published from April 01, 2020 to May 22, 2020.

CARE Ratings
Professional Risk Opinion

Real Estate

Key Issues

- High Inventory levels
- Demand drying up
- Shortage of workers and disrupted supply chain
- Growing risk aversion among lenders
- Liquidity stress
- Increased cost of funding

Ratings Outlook

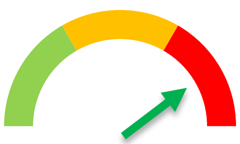
- Developers having financial flexibility and liquidity buffer to remain better placed during pandemic
- Luxury segment will continue to face headwinds.
- Affordable housing segment to remain severely affected
- Commercial LRD segment to have moderate impact, especially if tenant profile is strong
- Ratings for the sector would have negative bias.

Impact-o-meter and Recovery timeline

Warehousing (LRD#)

Commercial (LRD)

Residential



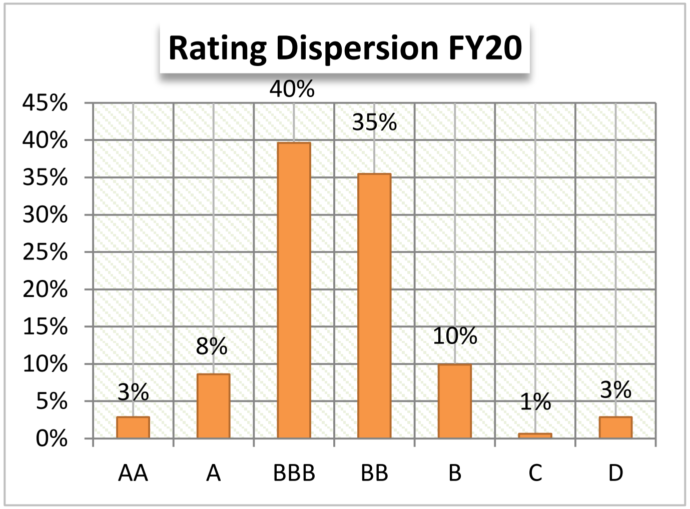
Retail (LRD)

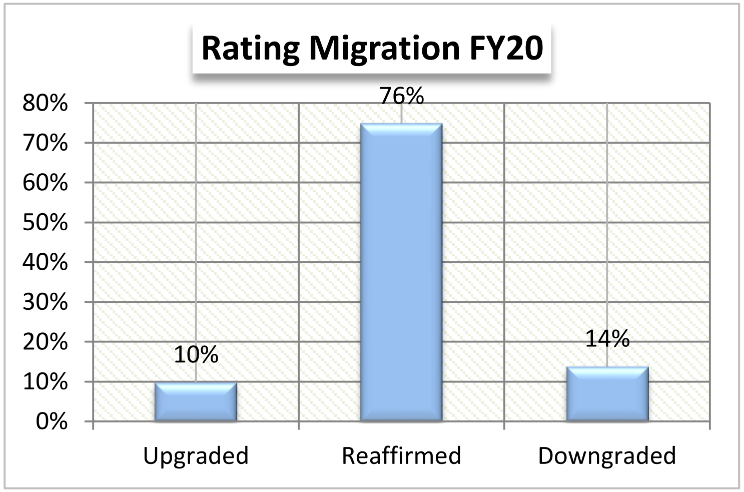
Warehousing (LRD#)	Commercial (LRD)	Residential	Retail (LRD)
<3 months	3-12 months		>12 months

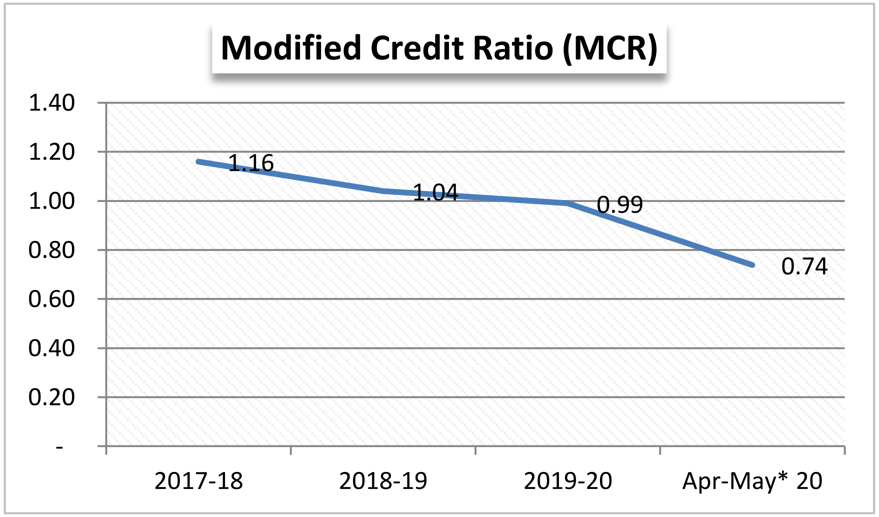
Low Impact   Moderate Impact   Severe Impact

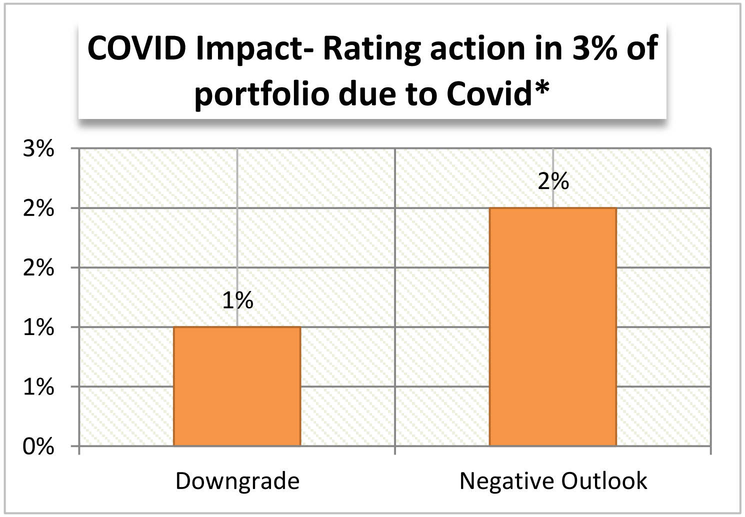
#LRD: Lease Rental Discounting

Textiles - the year that was and COVID impact on ratings









*Based on Press Releases published from April 01, 2020 to May 28, 2020.

CARE Ratings
Professional Risk Opinion

Textiles

Key Issues

- Domestic demand impacted on account of lockdown
- India's major textile export destinations viz. USA and EU have been severely impacted by the pandemic resulting in low demand in the export markets
- Reverse migration of labour and disrupted supply chain
- Discretionary consumer spending to be impacted by the general slowdown in the economy, job losses/ salary cuts
- Increased inventory levels and stretched receivables would result in liquidity issues

Ratings Outlook

- Companies with low term debt liabilities and liquidity buffer will be relatively better placed
- Extension of Rebate of State and Central Taxes and Levies (RoSCTL) to benefit exporters of garments and made-ups
- Availability of adequate manpower to ramp up production will be a key challenge for the industry
- Anti China sentiment to benefit textile industry only in medium to long term; difficult to compete in short term on account of scale and cost competitiveness
- Negative outlook for Yarn, Garmenting and Home Textiles- Decline in demand in domestic market and disruption in key export markets of USA and EU

Impact-o-meter and Recovery timeline

Yarn

Fabric

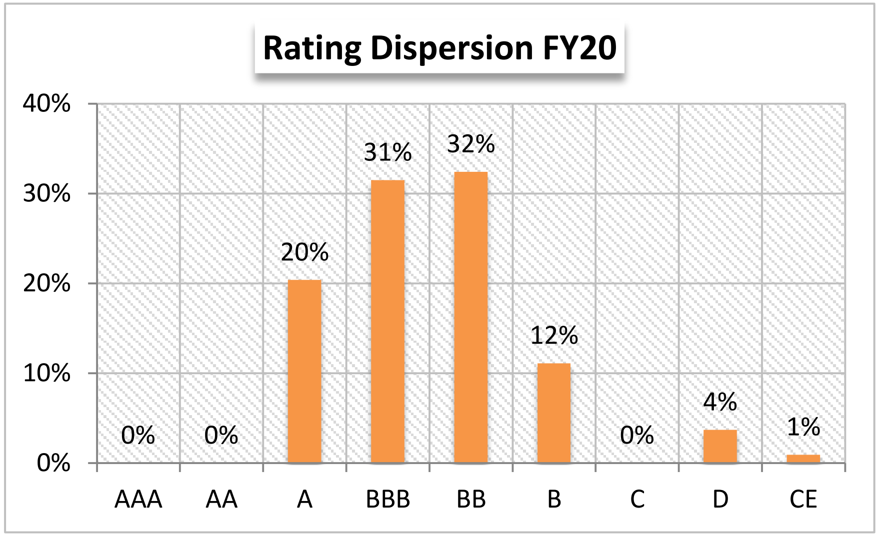
Garmenting

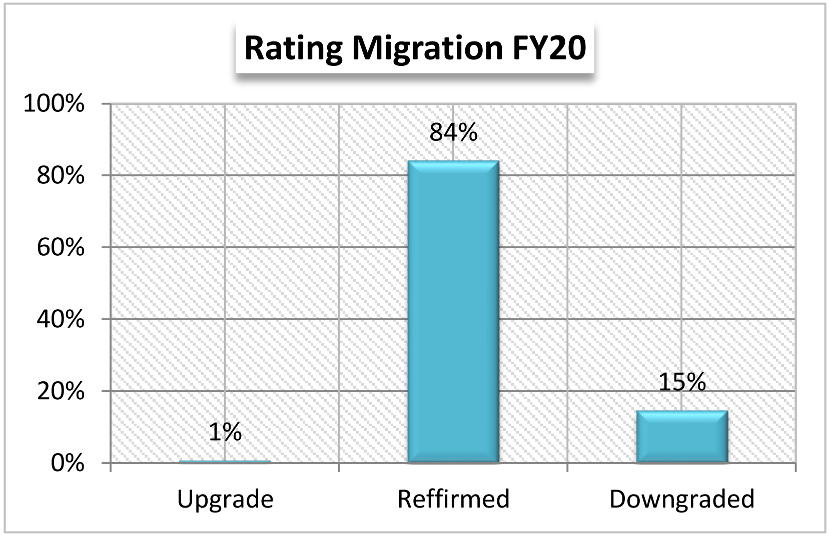
3-6months	6-12 months	
Yarn	Fabric	Garmenting

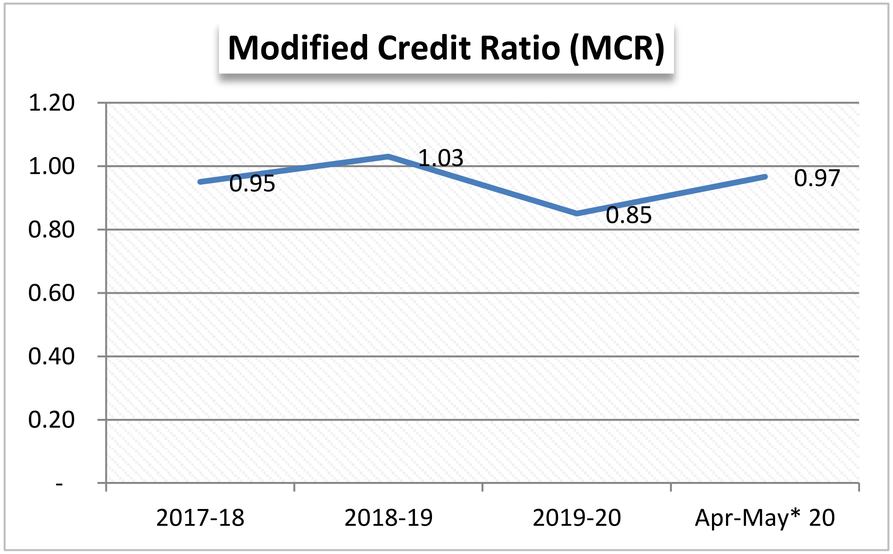
Low Impact   Moderate Impact   Severe Impact

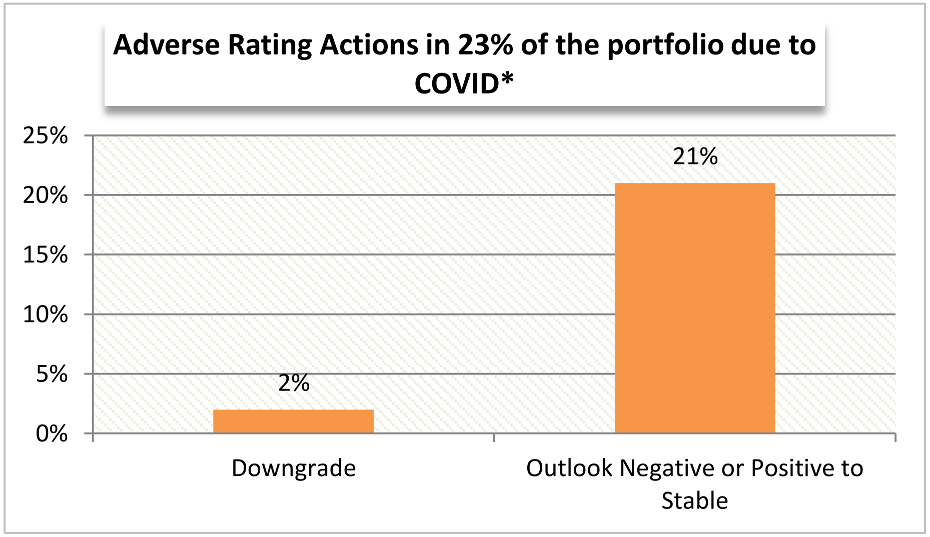
CARE Ratings
Professional Risk Opinion

Gems & Jewellery - the year that was and COVID impact on ratings









**Based on Press Releases published from April 01, 2020 to May 22, 2020.*

CARE Ratings
Professional Risk Opinion

Gems & Jewellery

Key Issues

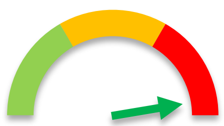
- Low demand
- High Inventory levels
- High prices of precious metals
- Liquidity crisis due to increase in working capital intensity
- Impact of exchange rate fluctuations
- Growing risk aversion among lenders
- Shortage of workers and disrupted supply chain

Ratings Outlook

- Although operations have resumed partially, CPD exports are expected to reduce by around 25-30% to USD13-14billion in FY21
- Reduction in polished diamond prices may result in Inventory losses
- Delay in realization of export bills is envisaged to impact liquidity profile and increase working capital intensity in the near term
- Credit risk profile envisaged to be impacted on account of global economic slowdown, reduction in disposable income and discretionary spend
- High volatility in prices of precious metals and falling consumer sentiments has further weakened the end-user demand
- Ratings for the sector would have negative bias

Impact-o-meter and Recovery timeline

Retail Jewellery

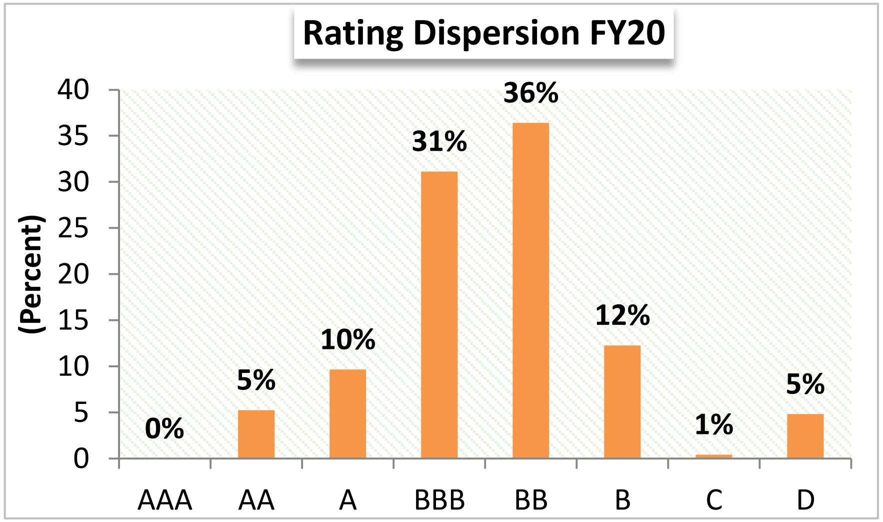


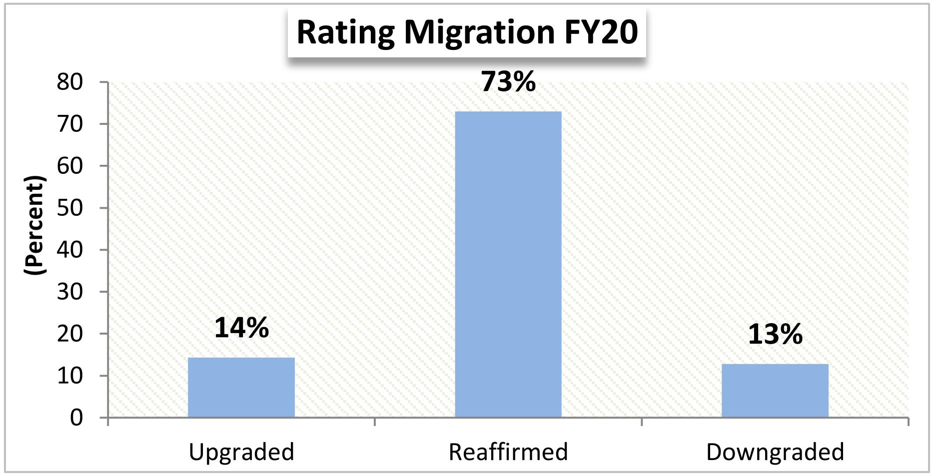
Diamond

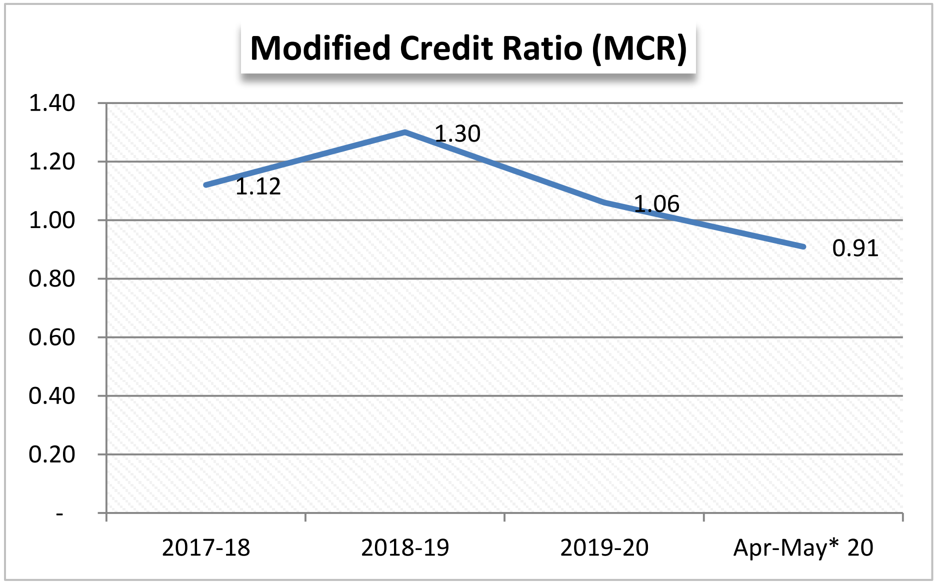
3-12 months

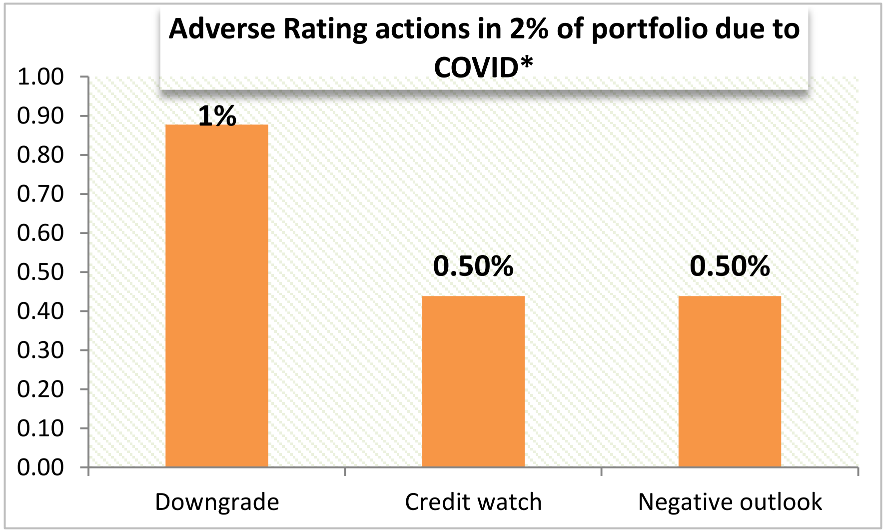
Low Impact | Moderate Impact | Severe Impact

Steel & Iron products - the year that was and COVID impact on ratings









*Based on Press Releases published from April 01, 2020 to May 28, 2020.

CARE Ratings
Professional Risk Opinion

Steel & Iron products

Key Issues

- Significant decline expected in domestic demand during FY21
- Pressure on realizations
- Liquidity stress
- Logistical constrains in movement of materials

Ratings Outlook

- Large integrated players with higher financial flexibility and product/geographical diversification are better placed
- Increased share of exports and lower raw material prices to partially off-set demand destruction and decline in realizations respectively.
- CARE expects recovery in demand post monsoon, led by improvement in manufacturing and automobile production. Demand from construction activity is likely to witness a much slower recovery.
- Overall ratings/outlook of CARE rated players will have a negative bias, amid negative industry outlook for CY20.

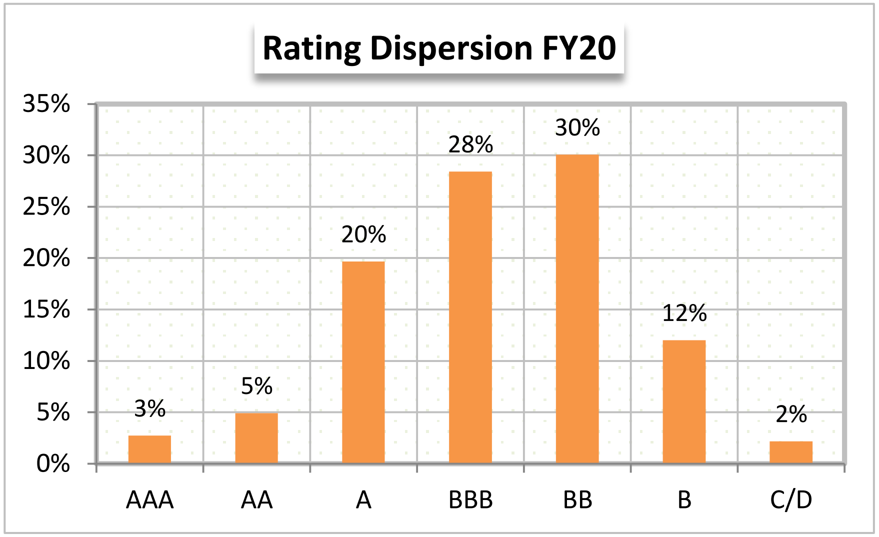
Impact-o-meter and Recovery timeline

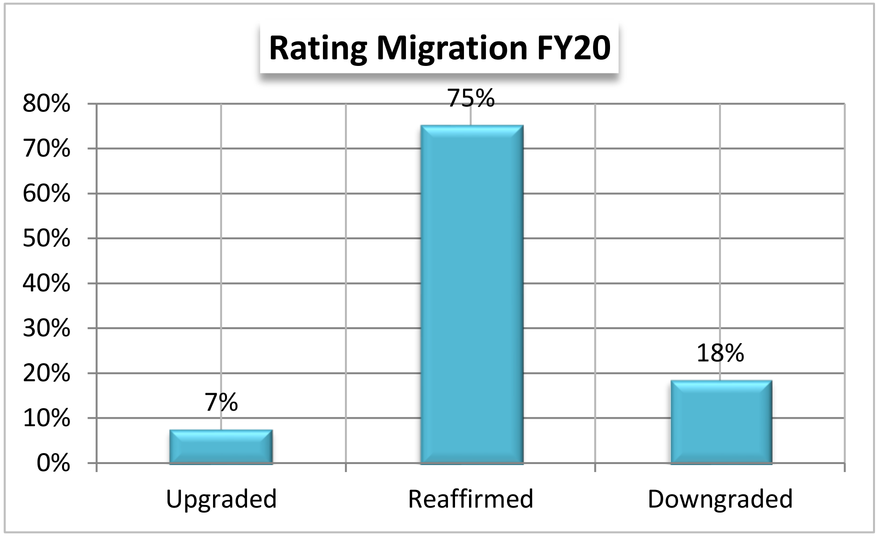


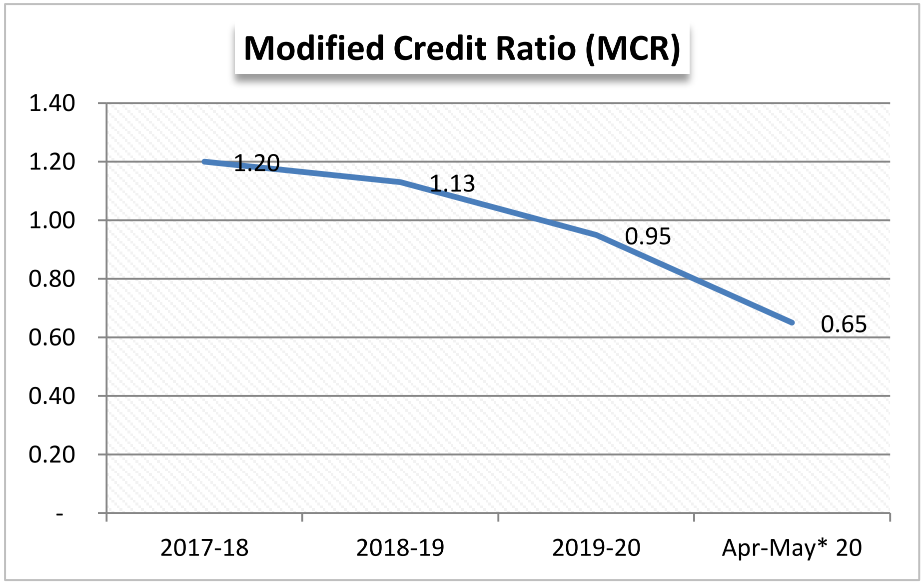

Flat Steel	Long Steel	Alloy Steel	Sponge Iron
2-3 months	3-4 months	3-4 months	4-5 months

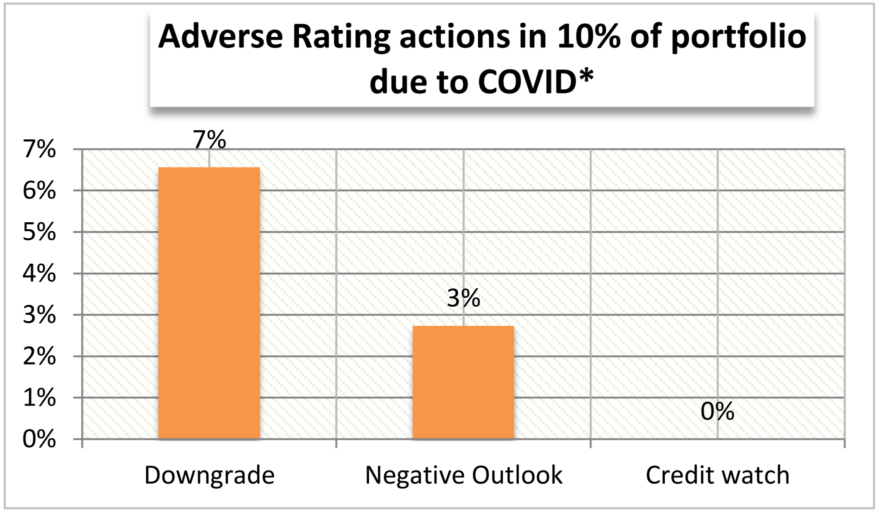
Low Impact   Moderate Impact   Severe Impact

Auto - the year that was and COVID impact on ratings









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CARE Ratings
Professional Risk Opinion

Auto

Key Issues

- Industry was already under the grip of weak demand in FY20.
- GDP contraction in domestic market as well as slowdown in export markets to significantly impact industry sales growth further.
- Stressed NBFC ecosystem and heightened risk aversion in banking system to constrain financing.
- As per SIAM, auto industry was losing Rs.2300 cr every day due to closure.
- Restoration of supply chain to take time. This along with reverse migration of labour to constrain factory production.

Ratings Outlook

- Overall economic uncertainty to translate into weak consumer sentiment and result in contraction in demand. While demand for 2W and PV is likely to pickup by H2, CV segment is expected to see a slow recovery.
- In view of macro-economic headwinds and constrained financing environment, overall rating outlook for the sector to have negative bias except tractors segment. However, most OEMs with sizeable cash reserves may see limited impact on credit profile.
- Negative outlook continues for Auto Ancillaries and auto dealerships. Ancillaries with higher share of replacement market sales and low leverage are better placed than their Tier II and Tier III component manufacturers where liquidity challenges are more pronounced.

Impact-o-meter and Recovery timeline

OEM - Tractors

3-6 months

OEMs -2W/PV/CV

Auto Ancillaries

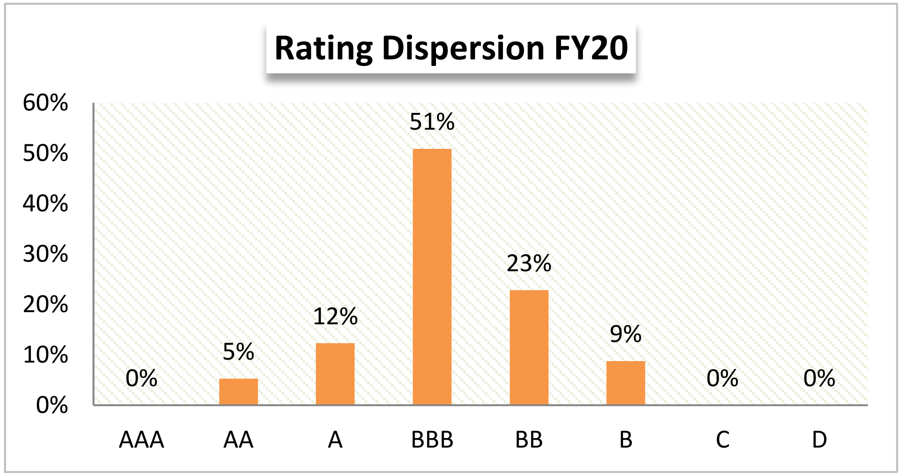
6-12 months

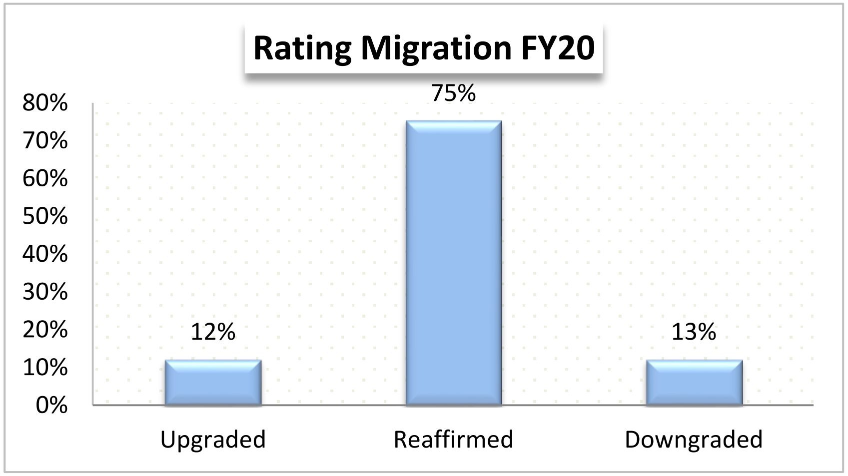
Auto dealers

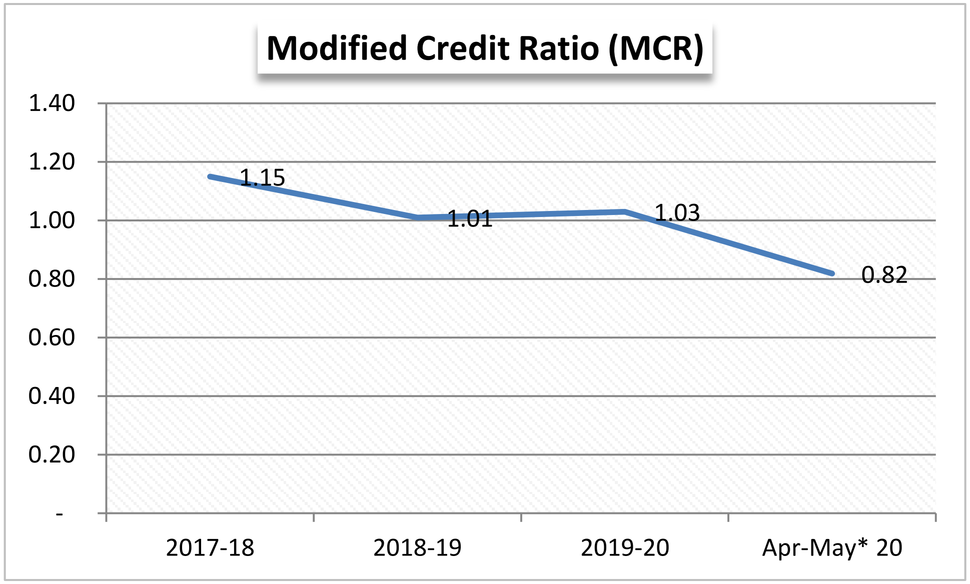
>12 months

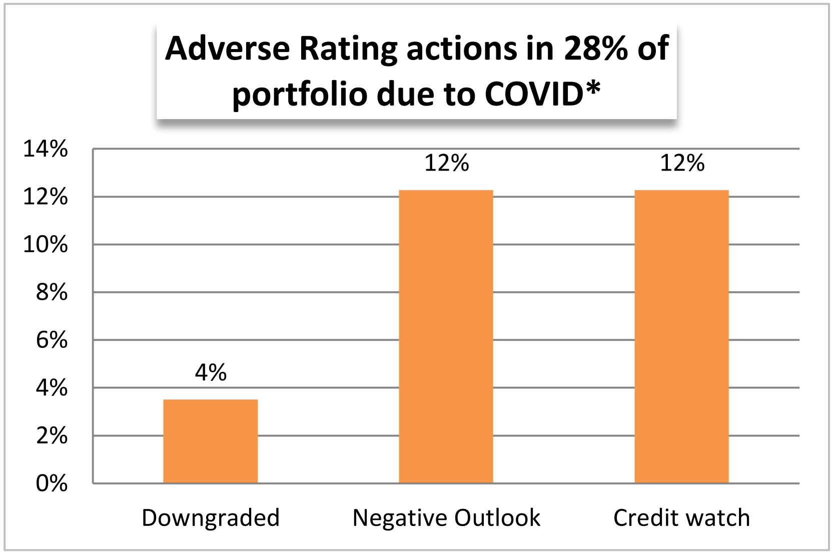
Low Impact | Moderate Impact | Severe Impact

Hospitality - the year that was and COVID impact on ratings









**Based on Press Releases published from April 01, 2020 to May 22, 2020.*

CARE Ratings
Professional Risk Opinion

Hospitality

Key Issues

- Sharp demand destruction across all the segments due to travel restriction and fear of infection
- Significant adverse impact on operational parameters: Occupancy, ARR, RevPAR and ALOS
- Liquidity stress and Cash flow mismatches, especially if repayment obligations are high
- Entities with recent expansion or capex in higher stress

Ratings Outlook

- One of the worst hit sectors during post outbreak of COVID-19. Travel restrictions have led to demand destruction for all the segments
- Geographically: Impact on the inbound and the outbound segment to be most severe. Domestic segment expected to witness early recovery with lifting of travel restrictions
- Vertical: Both Business and Leisure segments impacted adversely. Most of the summer holiday booking cancelled leading to higher impact on the leisure segment
- Level of service: Luxury segment to be impacted most while mid market and economy hotels will start witnessing recovery in next couple of quarters
- Entities would need to do cost rationalization and undertake process improvement measures and also have to revisit their expansion plans to preserve cash.
- Overall ratings for the sector would have negative bias.

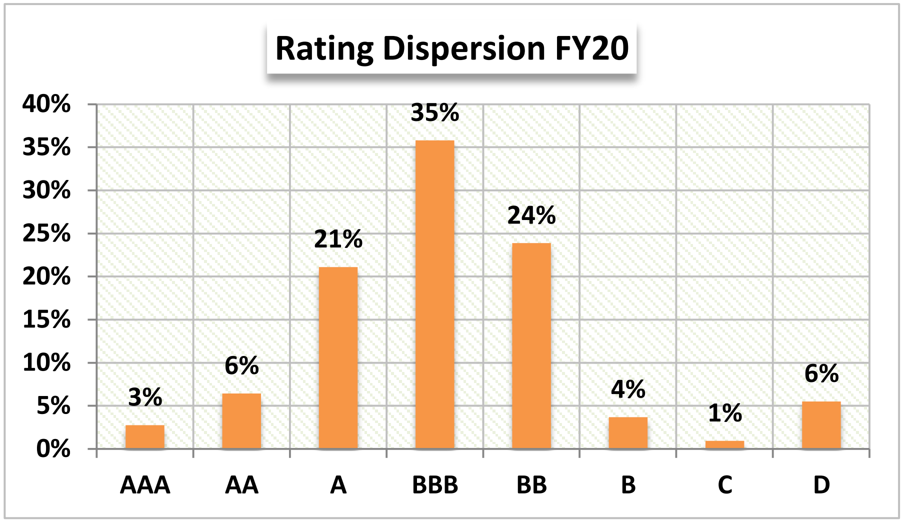
Impact-o-meter and Recovery timeline

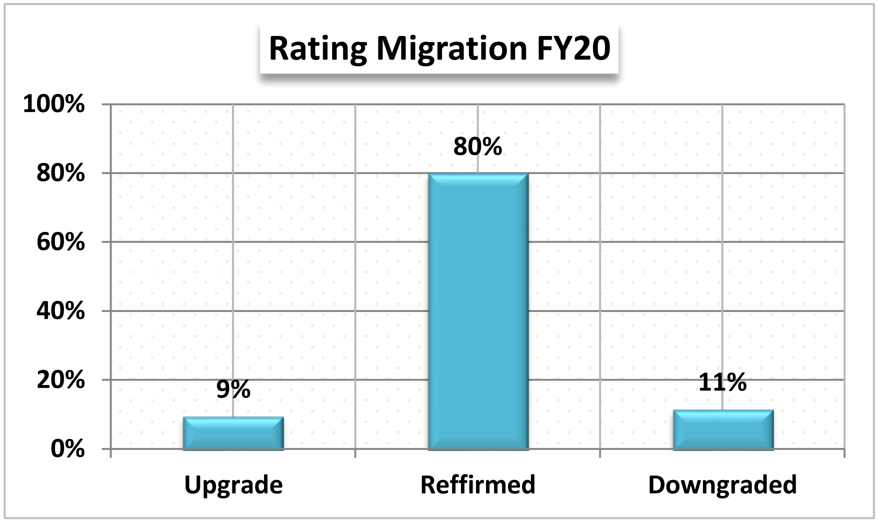
Hospitality
>12 months

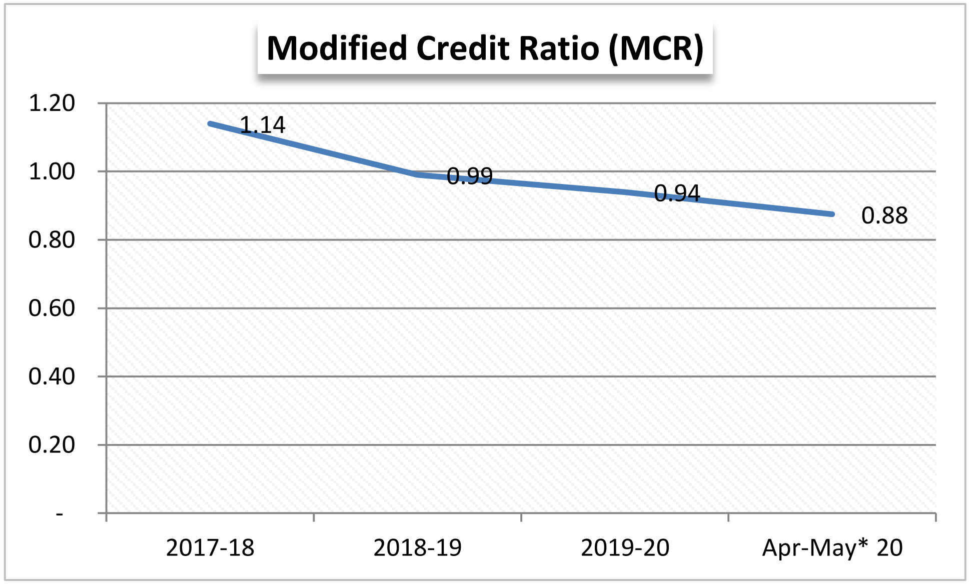
Low Impact   Moderate Impact   Severe Impact

ARR : Avg. Room Rentals; RevPAR : Revenue per available room; ALOS :Avg length of stay

Pharmaceuticals







No rating action due to COVID-19. The ratings of the pharmaceutical companies have remained stable even after the COVID-19 outbreak. There was no major disruption in operations due to COVID-19, pharmaceuticals being classified as an essential commodity.

CARE Ratings
Professional Risk Opinion

Pharmaceuticals- the year that was and COVID impact on ratings

Key Issues

- During initial period of lockdown the industry faced Logistics and packing material related issues.
- The operating capacities were attenuated to certain extent for about 2 weeks due to labour issues.
- Due to same issue industry had faced delay in clearance at port for import-export for about 15 days.
- Drastic dip in foot falls of out patient segment is expected to impact the growth of domestic pharma market by ~200 bps for the current year.
- The companies which have undertaken regular maintenance and/or capacity expansion projects were delayed by a quarter.

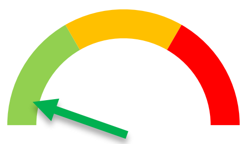
Ratings Outlook

- Falling under essential category the disruption in operations of manufacturing units was minimal due to lockdown.
- The Formulators that are engaged in manufacturing of Covid-19 related drugs are expected to fair well in terms of their profitability and cash flows.
- The financial flexibility of other formulators, API and CRAMS to remain stable.
- The govt scheme for setting up of 3 bulk drug parks would benefit the domestic players to go for backward integration.
- CROs engaged in testing over live subjects could take longer time for recovery.
- Overall ratings of the industry are expected to remain stable.

Impact-o-meter and Recovery timeline

Formulations

Active Pharma Ingredients



CRAMS

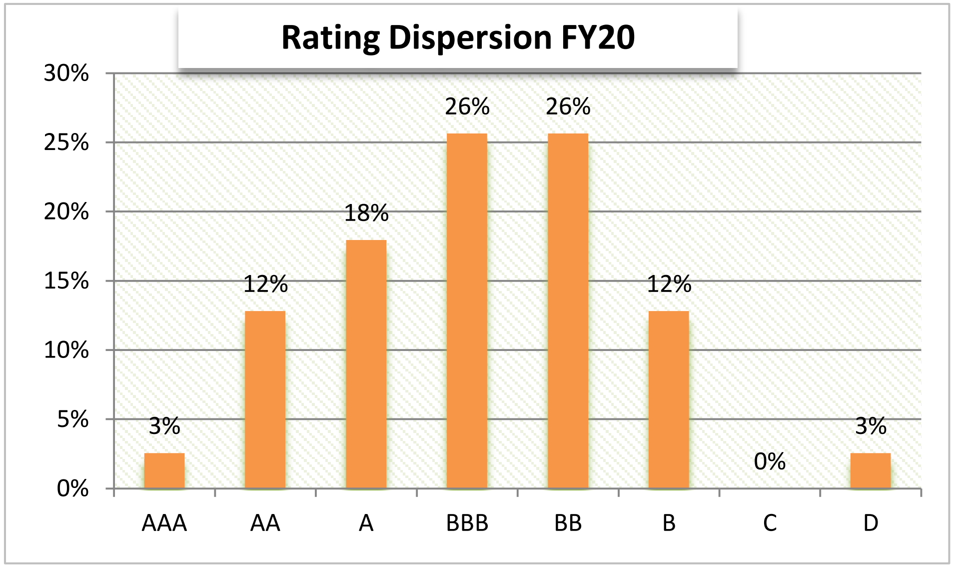
CRO

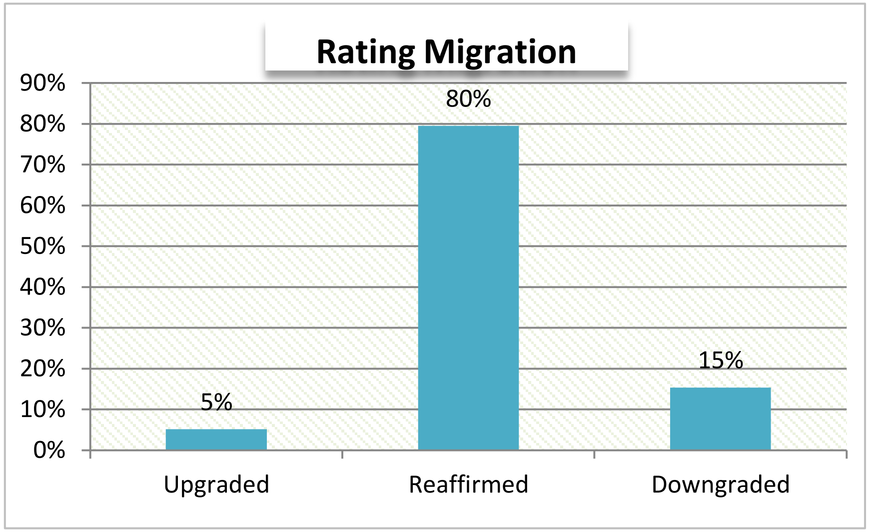
3-6 months

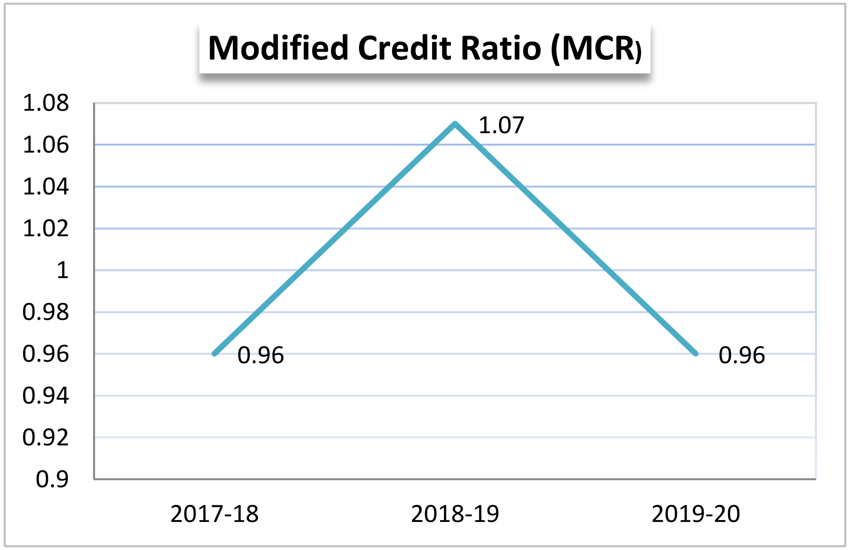
Low Impact   Moderate Impact   Severe Impact

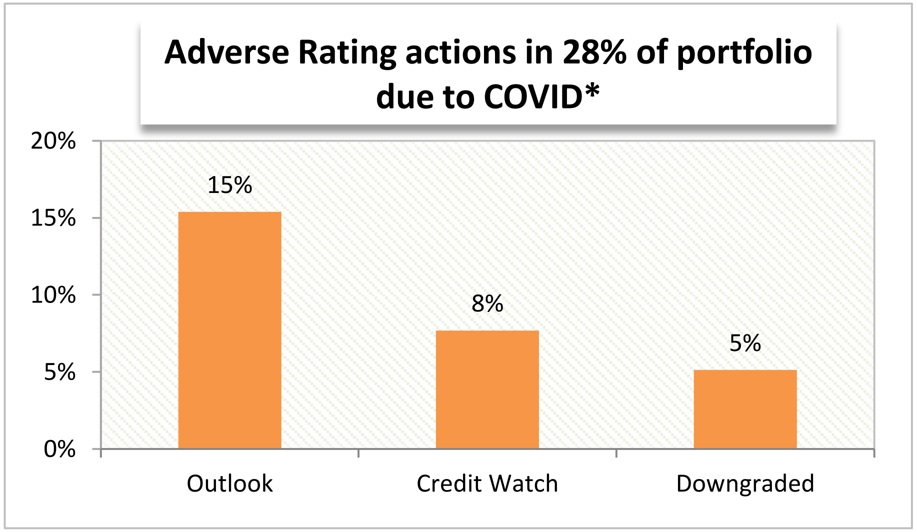
CRAMS – Contract Research & Manufacturing Services; CRO- Contract Research Organisations

Retail-the year that was and COVID impact on ratings









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CARE Ratings
Professional Risk Opinion

Retail

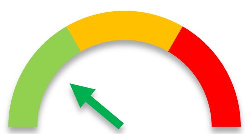
Key Issues

- Impact of social distancing on brick and mortar
- Reduced consumption of non essential items
- Shortage of workers and disrupted supply chain
- Lease rental renegotiation

Ratings Outlook

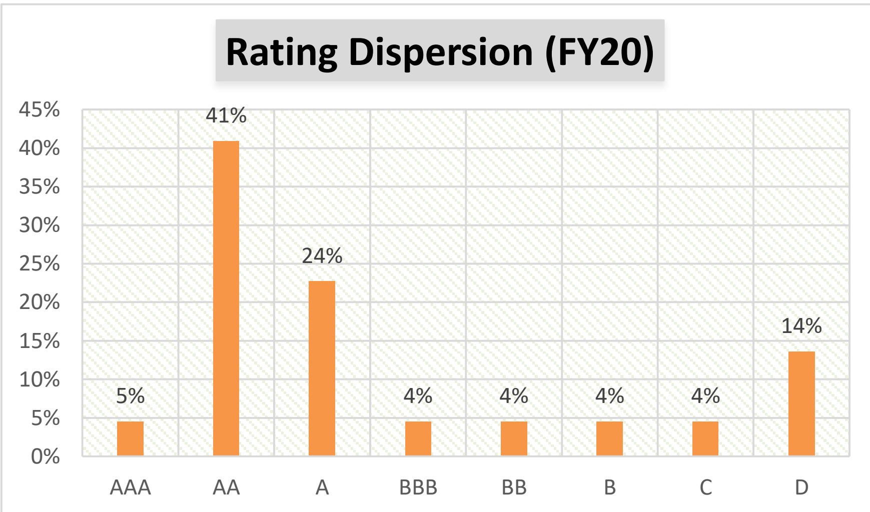
- **Grocery Retail** – Stable: Grocery retail to be least impacted on account of non-discretionary nature of spend
- **Luxury and Fashion Retail** – Negative : Luxury and fashion retail segment will continue to face headwinds on account of discretionary nature.
- E-commerce players to gain market share.
- Retailers will shift towards having omni channel presence.

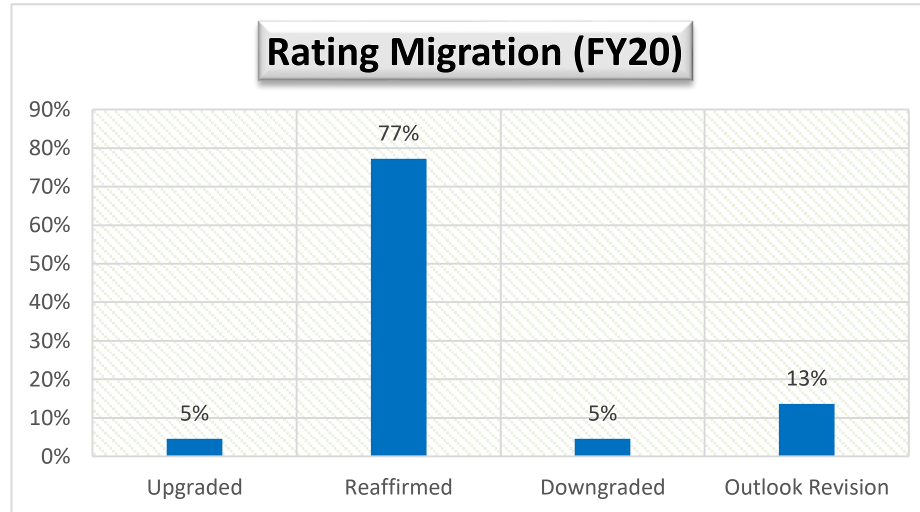
Impact-o-meter and Recovery timeline

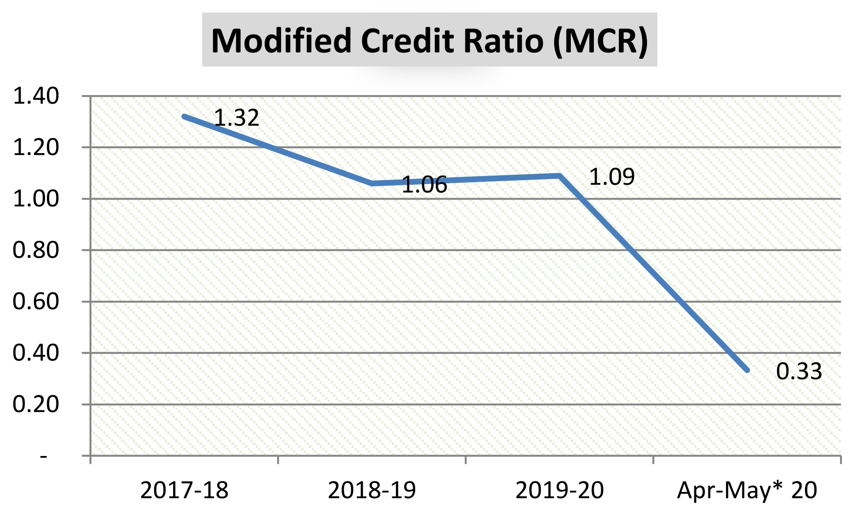
		
E-Commerce and Grocery Retail	Fashion and Electronics Retail	Luxury Retail
<3 months	3-12 months	>12 months

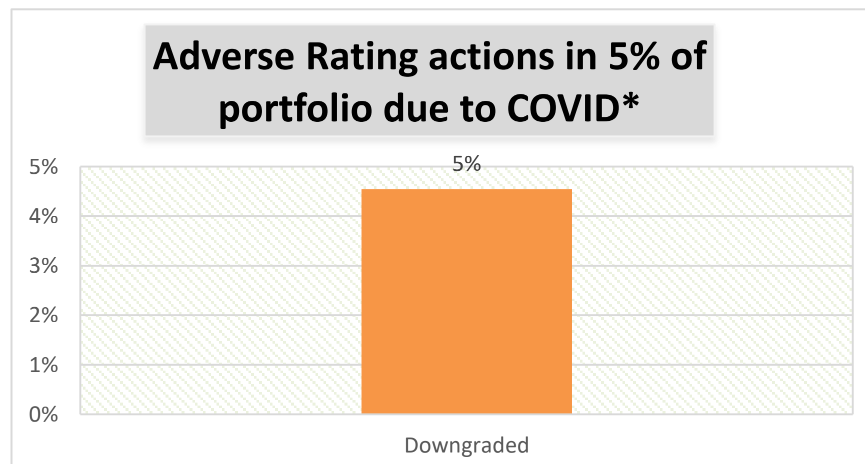
Low Impact   Moderate Impact   Severe Impact

Cement - the year that was and COVID impact on ratings









**Based on Press Releases published from April 01, 2020 to May 22, 2020.*

CARE Ratings
Professional Risk Opinion

Cement

Key Issues

- Shortage of workers and disrupted supply chain
- Logistics and transportation
- Demand for cement from real estate sector and housing segment will continue to remain muted as real estate sector is facing liquidity issues
- Likely cuts in Govt. spending on infrastructure which will slow down the new investments considerably thus affecting the demand for cement.

Ratings Outlook

- Cement was impacted by the general economic slowdown which got intensified due to COVID-19 pandemic.
- Production is expected to fall sharply by 25-30% during FY21. Industry capacity utilisation level to decline and be around 40-45% for FY21
- Players with better cost dynamics and moderate debt profiles to sustain their credit quality
- Ratings for the sector would have negative bias.

Impact-o-meter and Recovery timeline

Cement

3-12 months

Low Impact — Moderate Impact — Severe Impact

Put together by….

Sector	Sector Specialists	Sector	Sector Specialists
Economics	Madan Sabnavis & team	Pharmaceuticals	Krunal Modi D. Naveen Kumar
Overall impact	Revati Kasture Smita Rajpurkar	Cement	Radhika Ramabhadran
Real Estate	Divyesh Shah	Roads	Maulesh Desai Rajashree Murkute
Textiles	Pulkit Agarwal Sudeep Sanwal	Thermal Power Generation	Sudhir Kumar
Gems & Jewellery	Ujjwal Patel	Renewables	Hardik Shah
Iron & Steel	Hitesh Avachat Ajay Dhaka	Power – Transmission & Distribution	Sudhir Kumar Naresh Golani
Auto	Karthik Raj	Airport allied services Seaports	Prasanna Krishnan
Hospitality	Nitesh Ranjan	NBFCs	Mitul Budhbhatti
Retail	Pulkit Agarwal	Banks	Aditya Acharekar

Thank you !

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