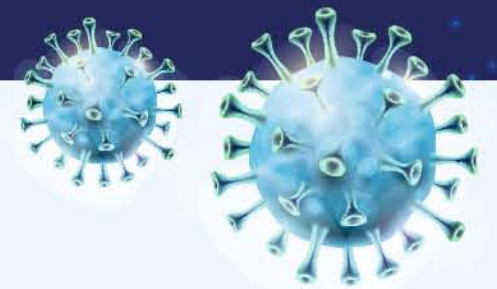


## “Consequences of Covid-19” on Indian Sectors Long Term or Short Term?



# TABLE OF CONTENTS

Research Overview		
	Industrialist Views on Covid-19	3
	Should Covid-19 impact be considered as Economic Obsolescence (EO)	6
Economic Obsolescence (EO)		
	Economic Obsolescence (EO)	9
	Sectorial Economic Obsolescence (EO)	11
Sectors		
	Infrastructure	18
	Hospitality	11
	Real Estate	23
	Power	28
	Banking	33
	Petroleum	38
	Manufacturing	42
	Telecommunication	46
Services		51
Offices		53



# INDUSTRIALIST VIEWS ON COVID-19

# INDUSTRIALIST VIEWS “



Stay Positive

Today successful R&D is multidisciplinary, many things that we see today would not be there if they were in silos today.

- Ratan Tata, Former Chairman, Tata Sons
- There's no going back to the 'normal' – all we should focus on is building for the 'new normal.'
- Deepinder Goyal, Zomato

As a businessman, you can forecast volatility, but you can never forecast a zero-revenue situation.

- Ajay Bijli, Chairman, PVR

It might be challenging to conduct business customarily right now, but it's important to not neglect your brand, or connecting with your customers in such crucial times.

- Nikhil Arora, GoDaddy

”



# INDUSTRIALIST VIEWS ON COVID-19

A crisis is a great time to show your statesmanship, commitment, and character. This is the time to contribute to nation building.

**- Kalyan Krishnamurthy, Flipkart**

“In a high-contact business like hotels, how do you ensure your employees and guests are not exposed to this highly infectious virus with up to two weeks of dormancy?”

**- Lemon Tree Chairman Patu Keswani**

Cries that a combined Uber and GrubHub could control up to 90% of the food delivery market are overblown

**- Dara Khosrowshahi, CEO Uber**





# SHOULD COVID-19 IMPACT BE CONSIDERED AS ECONOMIC OBSOLESCENCE (EO)



# SHOULD COVID-19 IMPACT BE CONSIDERED AS ECONOMIC OBSOLESCENCE(EO)

Corona Virus has affected all the countries either it is developed or developing. India, too, is very badly affected because of low GDP growth and international recession due to Covid-19. It has brought all the businesses to a standstill and increased the struggle of developing countries by affecting their development progress.

All the countries have imposed lockdown to prevent the spreading of Covid, due to the ongoing lockdown almost all the businesses are suffering losses. According to Statista, estimated loss due to lockdown in India is around 26 billion U.S. dollars. India's GDP growth is also affected due to these. All the countries, even states have imposed transportation restriction and sealed their borders, due to which trade sector is highly affected and prices of many essential commodities are increased. On country level, import and export of essential commodities such as petroleum, food crops, coal and others materials were drastically declined.

Activity at seaports has witnessed a huge decline in export-import trade. We all have seen that many FMCG companies and retailers are dealing with challenges primarily around three highly interconnected issues: surge in demand & depletion of inventory, reduction in workforce, and supply chain disruption

One of the worst affected sector is travel and tourism, due to travel restriction and fear of Covid many individuals cancelled their business and vacation travel schedule. These has result in ticket cancellation, hotel booking cancellation and increased the burden on already distressed aviation and hotel industry.

Due to travel restrictions, private cab companies and public transport services like local trains, best & ST buses and metro's are also affected which will result in decline in government revenue.

The next worst affected sector is Manufacturing sector followed by Power sector and Real Estate sector. Many MSME and start-ups are facing issues of funding and decrease in demand.

Many migrant workers coming from different states to metro cities for earning were returning to their homes due to no work and income. Which will leads to shortage of labors and will eventually cause disruption of supply chains.

1

Research Overview

2

Economic Obsolescence

3

Sectors

4

Services

5

Offices

# SHOULD COVID-19 IMPACT BE CONSIDERED AS ECONOMIC OBSOLESCENCE(EO)

According to National Statistical Office data, the manufacturing sector has grown merely by 0.03 per cent in FY 2019-20 compared to 5.7 per cent in the previous year.

Due to all the above mention reasons and lack of investment, the Indian stock markets crashed. Due to loses many companies started not only cutting the salaries but also laying off its employees. Which will result in mass unemployment in the country.

As per the report published in Deccan Chronicle, Indian economy was in its worst phase even before the coronavirus outbreak, with growth in the gross domestic product (GDP) falling to a 11-year low of 4.2 per cent in 2019-2020. The economy grew by 3.1 per cent in the January-March quarter of 2019-2020, against 5.7 per cent at the same time a year ago, the slowest growth in at least eight years.

Moody predicted India's GDP growth to growth down to 1.6 percent from 4.5 percent it had earlier estimated (in February 2020). These is due to the slowdown in demand, closure of production activities, fall in the global price of crude oil, ban on foreign trade, price decrease in the commodities like energy, metals and fertilizers, restrictions on the aviation industry as also on tourism, amongst others, are bound to exert downward pressure on the inflation, thus adversely affecting the India's economy. On 8th May 2020, Moody estimates India's GDP growth for FY21 as zero due to the aggressive lockdown.

**From our research, we have signified that the impact will be either short term or long lasting on all the sectors. Many businesses will be going to record decline in profit and sales which eventually affect their revenue, cashflows and working capital. This may lead to delay or default in debt repayment. At the same time, this crisis is a golden opportunity for some sectors. In the sections below, our report highlights the meaning of the term Economic Obsolescence (EO) along with sector wise impact of coronavirus including analysis of Pre-Covid & Post Covid scenarios.**



Research Overview



Economic Obsolescence



Sectors



Services



Offices





# ECONOMIC OBSOLESCENCE(EO)



# ECONOMIC OBSOLESCENCE (EO)

**As per IVS-2020, Section 80.2,** *“Economic Obsolescence is defined as any loss of utility caused by economic or locational factors external to the asset. This type of obsolescence can be temporary or permanent”.*

**As per IVS-2020, Section 80.7,** *“Economic obsolescence may arise when external factors affect an individual asset or all the assets employed in a business and should be deducted after physical deterioration and functional obsolescence. For real estate, examples of economic obsolescence include:*

- (a) adverse changes to demand for the products or services produced by the asset,*
- (b) oversupply in the market for the asset,*
- (c) a disruption or loss of a supply of labor or raw material, or*
- (d) the asset being used by a business that cannot afford to pay a market rent for the assets and still generate a market rate of return.”*



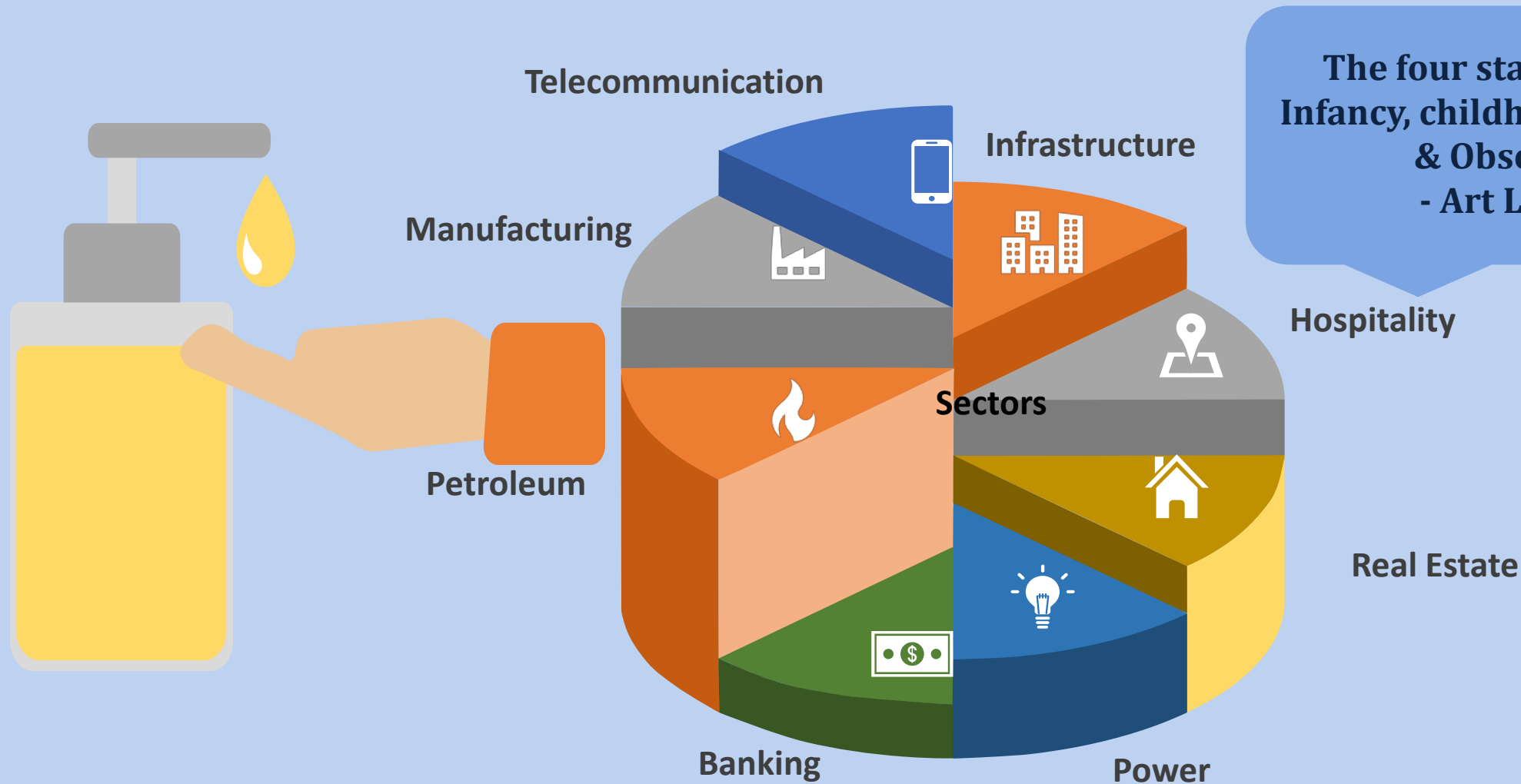
# SECTORAL ECONOMIC OBSOLESCENCE(EO)

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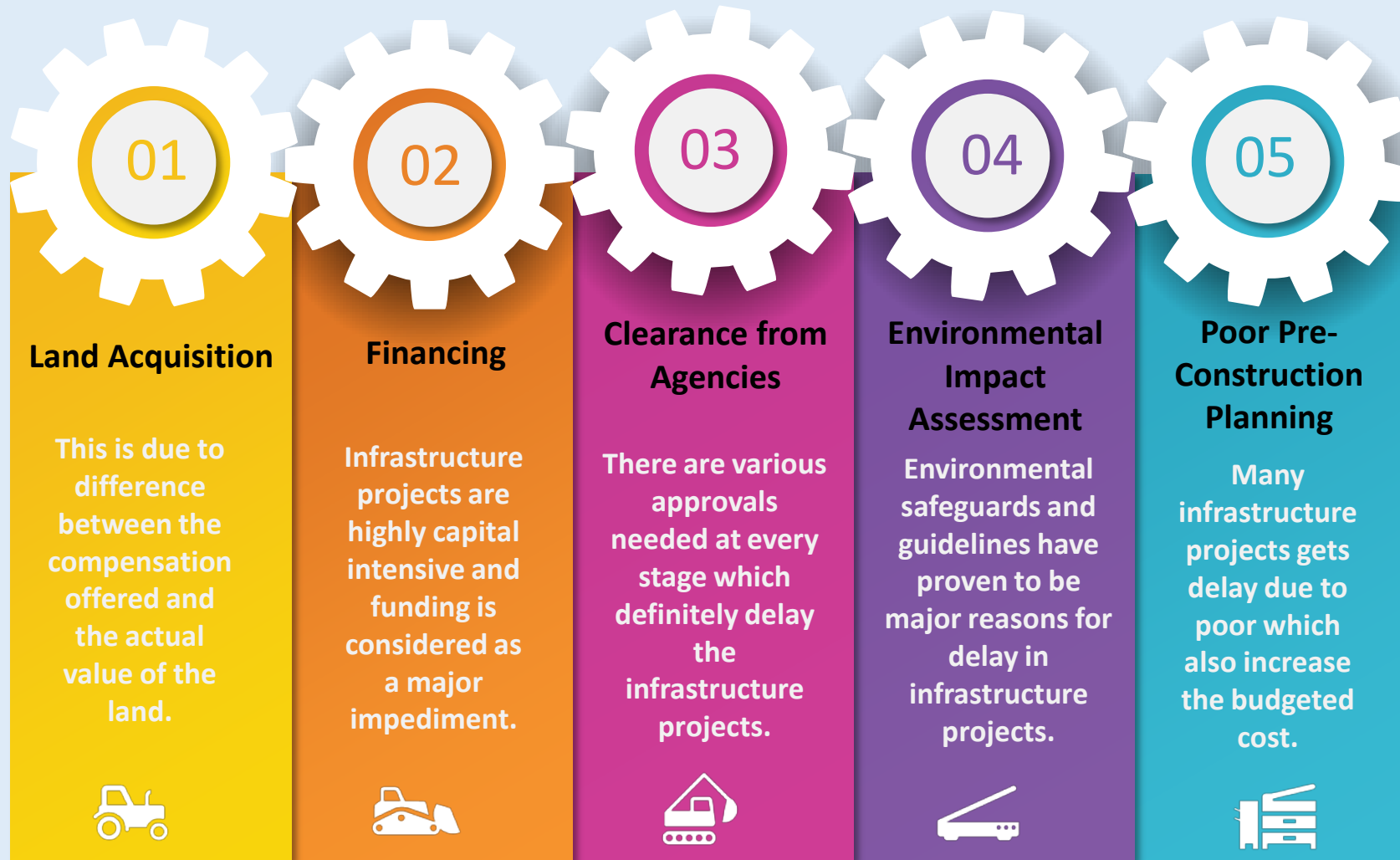
# INDIAN SECTORS AFFECTED BY ECONOMIC OBSOLESCENCE(EO)





# SECTOR 1: INFRASTRUCTURE

# EXTERNAL FACTORS CAUSING DELAY IN INFRASTRUCTURE PROJECTS

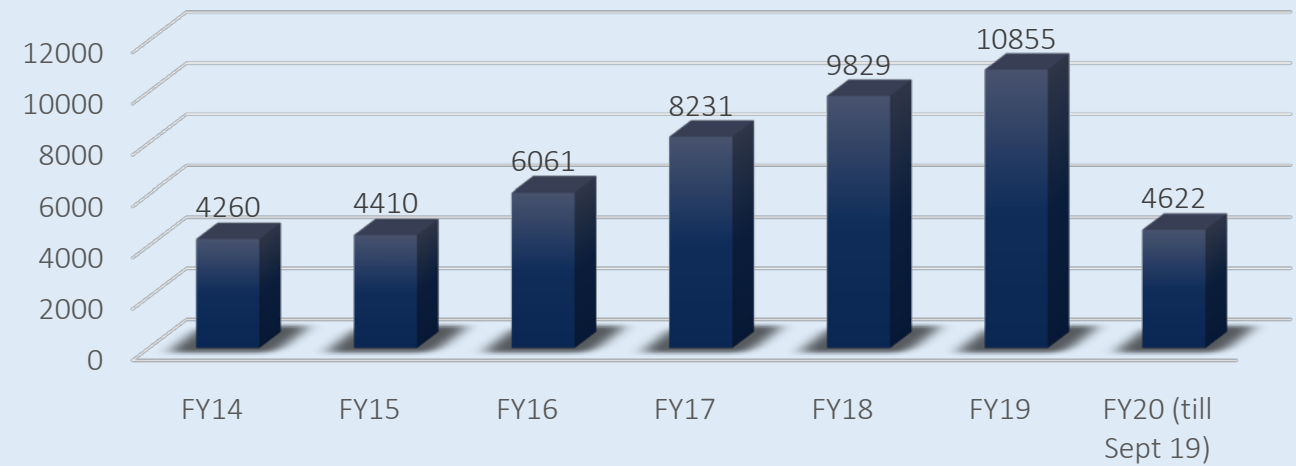




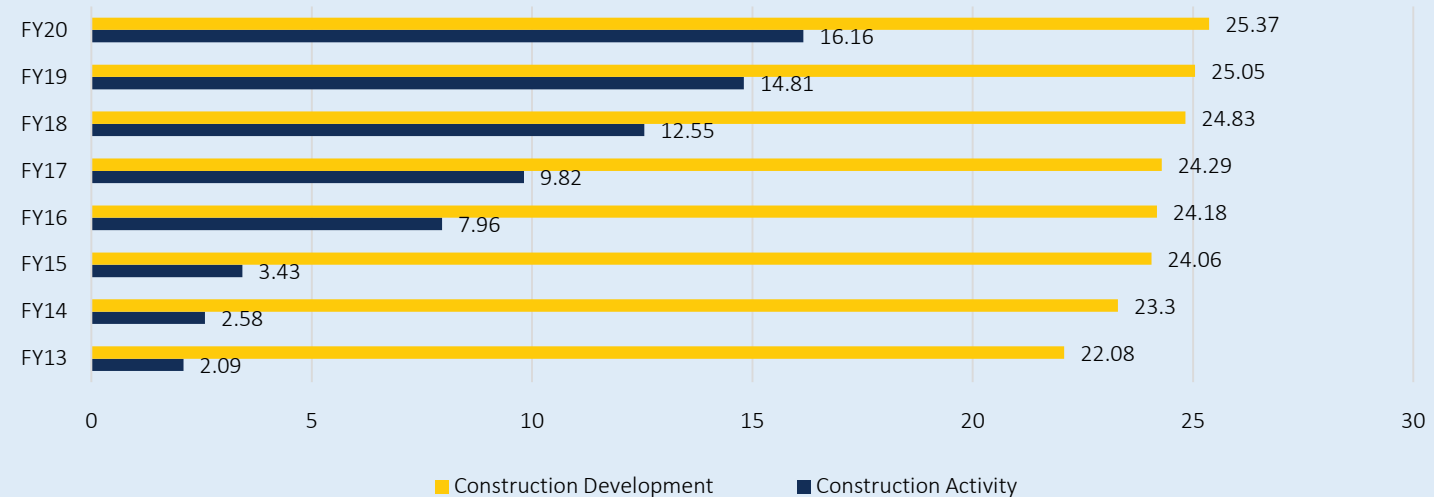
# PRE- COVID SCENARIO

- In this year's budget, the Government announced that it will going to invest Rs. 1.69 lakh Cr. in infrastructure sector.
- Also, Government targeted to construct 65,000 km of national highways at the cost of approx. 5 lakh crore in the coming years.
- To boost infrastructure sector, projects like Bharatmala, Sagarmala, Golden Quadrilateral, etc. have been introduced
- Government also plans to use the recently introduced road construction technique using plastic waste. As of December 2019, India has built 21,000 miles of roads using plastic waste.
- Metro rail network has reached 657 Km and has under construction metro projects of length 795 Km.
- Indian Railway's is increasing every year. In FY18 revenue from railway is Rs. 1789.3 Billion which is increase to Rs. 1905.07 Billion in FY19.
- Government of India is planning to make 200 airports by 2040.

## Highway Construction in India (Km)



Source: Ministry of External Affairs, Economic Survey 2019-20  
FDI inflow (US\$ Billion)



Source: DIPP, Media Sources.

# POST- COVID SCENARIO

1

## **D e m a n d   R i s k**

Due to travel restriction, all modes of transport have seen considerable demand cut.

## **S u p p l y   S i d e   R i s k**

Due to reverse migration of labors because of Covid-19 will increase the stress on infrastructure sector.

2

3

## **L i q u i d i t y   R i s k**

Mostly all the assets of companies are leveraged, the optimality of capital structures will be reassessed due to impact on the revenue side.

4

## **C o u n t e r - p a r t y   C r e d i t   R i s k**

Foreign Direct investment will be affected and will put stress on domestic institution to attract new investments.

1

2

3

4

5

Research Overview

Economic Obsolescence

Sectors

Services

Offices

# CONCLUSION

## COST OVERRUN

Due to Covid-19, many projects may get delayed and may experience cost overruns. In our opinion, the total cost of construction of on-going project is expected to increase by 20% of the budgeted cost.

## OVERALL GROWTH

Infrastructure related activities witnessed strong growth till 2019. However, after Covid-19, we expect drastic slowdown due to various reasons. Low economic activity in other sectors would impact infrastructure sector as well.

## ON-GOING PROJECTS

There were many ongoing mega infrastructure projects across the country. Due to extended lockdown, all these projects will go on hold due to lockdown, non availability of labor, fund, loss of income as well as diversion of government funds towards COVID-19 management.

## GOVERNMENT ANNOUNCEMENTS

To boost infrastructure sector and to achieve the target of a USD 5 Tn economy, Government plans to invest more than Rs. 100 lakh Crore in these sector.

Extension of concession period in PPP contracts to minimizes losses due to lockdown.

## LABOR SHORTAGE

COVID-19 is impacting the global construction industry with projects facing labor shortages. Due to extended lockdown, reverse migration with workers leaving cities and going back to their villages.

1

Research Overview

2

Economic Obsolescence

3

Sectors

4

Services

5

Offices





## SECTOR 2: HOSPITALITY

# EXTERNAL FACTORS THAT DETERMINES HOSPITALITY

## Location



Market, Beaches & Heritage places

Location of hotel from the market, beaches, heritage places and other tourist places will effect the hotel income.

## Transport Service



Road, Air and Water

Travelers often rely on public transit systems, as well as private options, such as taxis and cab services, to get around.

## Economy



Travel Budget

Personal and organizational budgets affect travel plans. During a poor economy, businesses are less likely to approve unnecessary travel.

## Climate



Weather and Environmental Factors

The purpose of a vacation is get relax and enjoy the nature, surrounding. While deciding location its, local climate and weather plays an important role.

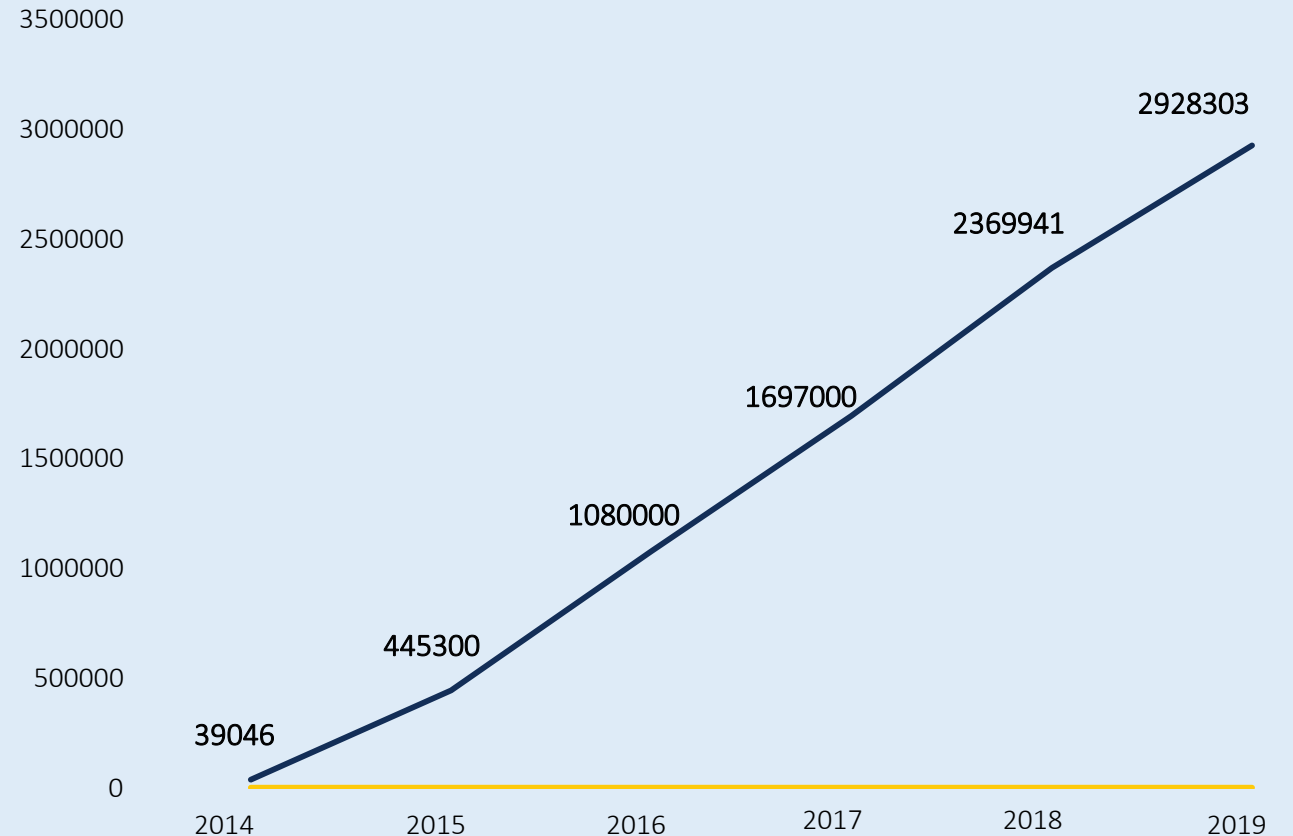
# PRE-COVID SCENARIO

- India is the 8th largest country in terms of contribution to travel & tourism GDP as it contributes over 7 per cent to the GDP. Also, Tourism is an integral pillar of the Make in India programme.
- Indian hospitality sector witness an increase in investment by global players like Accor (France), The Four Seasons Group (Canada), Marriott Hotels (USA), Hyatt Hotels Corporation (USA).
- The Foreign Exchange Earnings (FEE), from the Tourism industry in India, stood at \$28.585 Bn in 2018.
- Graph shows the y-o-y growth in arrivals through E-tourist visa.

The key initiatives undertaken for improving tourism and hospitality, as per Make in India website are:

- E-Visa facility extended to 166 countries for visit to India through 28 international airports and 5 sea airports.
- Incredible India 2.0 campaign and India Tourism Mart promotions help boost this sector.
- Under the Swadesh Darshan scheme development of 15 circuits were identified.
- Under the above scheme, total 7 projects worth \$55 Mn was sanctioned

## Growth in arrivals through e-tourist visa



Source: Ministry of Tourism.



# POST-COVID SCENARIO

1

## Demand Risk (Hotel)

Due to travel restrictions, many individual cancelled or postponed their travel plans. Due to these large cancellation in air ticket booking, hotel booking, etc. is seen.

## Demand Risk (Cruise)

Cruise business is completely shut. As per sources, about 8% to 10% of the total staff strength of the global cruise liners are Indian. These has result in mass unemployment.

2

3

## Future Risk

It is believe that more than 35% of hospitality revenue will be impacted if situation could not improve and will take year to recover from it.

## Road Ahead

Due to Covid's fear and financial problems, it is believe that people will avoid travelling for at least next 6 months.

4

1

2

3

4

5

Research Overview

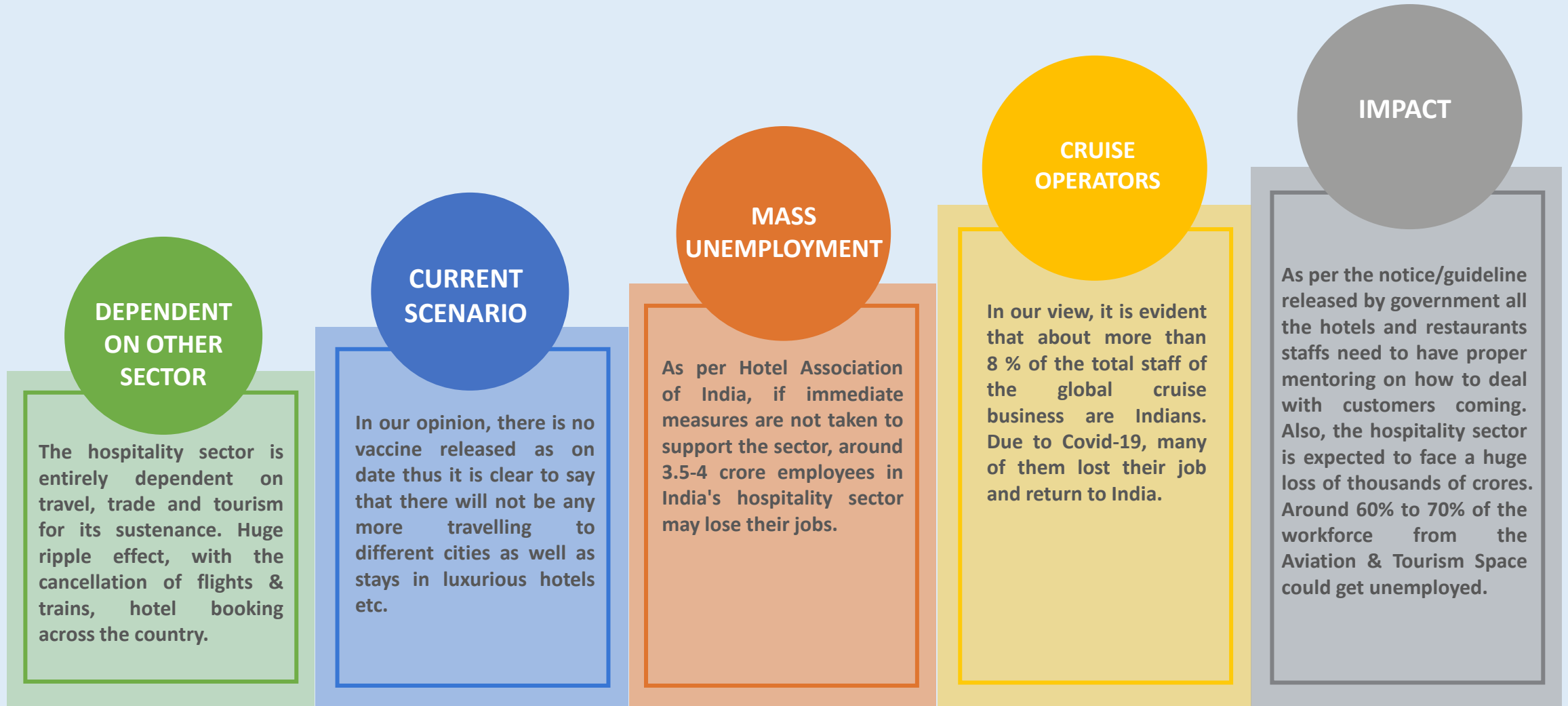
Economic Obsolescence

Sectors

Services

Offices

# CONCLUSION





## SECTOR 3: REAL ESTATE



# EXTERNAL FACTORS AFFECTING REAL-ESTATE INVESTMENT DECISION

## Changes in Aircraft Flight Patterns

People prefer buying home close to airport. However, if the flight pattern change. Planes flying above home may cause noise nuisance.

## Busy Highway

The construction of highways near residential properties can subject residents to extra noise and traffic. Home located near busy road may suffer excess noise and air pollution.

## Rise in Local Crime

A higher crime rate in a neighborhood directly impacts property values. As a result, property owners will face difficulties in finding suitable buyers for their properties.

## Environmental Hazard

Construction of landfills and sewer lines subject the entire neighborhood to foul odors and noise from the large trucks moving in and out.

## Loss of Jobs

Employees of nearby industries form the majority of household in that area. If one of the major industries closes, then thousands of people will be rendered jobless, and the local properties will decrease in value.



1

Research Overview

2

Economic Obsolescence

3

Sectors

4

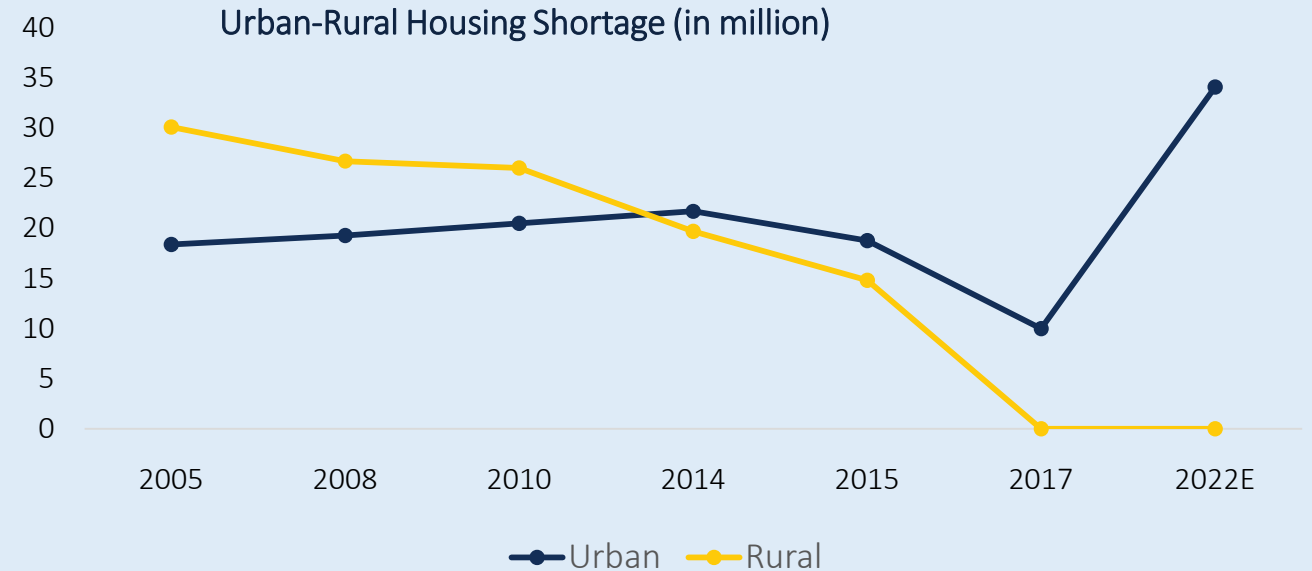
Services

5

Offices

# PRE- COVID SCENARIO

- As per IBEF, Real Estate sector contributes around 8 percent to the GDP is expected to increase to 13 percent in coming years.
- After agriculture, construction industry is the 2<sup>nd</sup> largest employer.
- As more people are migrating towards the cities and increase population. Increases the demand of residential properties.
- In last few year, India witness increasing demand for commercial and retail space.
- To boost these sector up-to 100% FDI investment was allotted by government.
- To reduce the migration of individual toward cities and to reduce the ever increase burden on city infrastructure. Government plan to build 100 smart cities.
- All the sectors like office sector, co-working sector, retail sector, residential sector, industrial and logistic sector, hotel sector, etc. get increase demand for the new structures.



Source: Ministry of Housing and Urban Poverty Alleviation, RBI.

# PRE- COVID SCENARIO

1

## Finance Risk

Due to Covid, many projects are facing funding issues as most construction projects are funded by bank and lenders.

## Workforce Risk

Due to reverse migration of laborers, there is shortage of labors in every sector. And is expected that many labors will not come back to cities for work for at least next 6 months.

2

3

## Risk on Dependent sector

Most industries and sectors are dependent on the real estate activities i.e. construction equipment manufacturing, project monitoring, raw material industries, etc.

## Road Ahead

Many projects are going face funding issues, increase in project cost due to delay because of lockdown and reverse labor migration, lack of sales, increase interest on debt funding, etc.

4

1

2

3

4

5

Research Overview

Economic Obsolescence

Sectors

Services

Offices

# CONCLUSION

## LOW PURCHASING

In our opinion, postpone in planning of homes by buyers, property purchase decisions due to huge layoff in service sector as per our opinion

## DELAY IN PROJECTS

Manufacturing unit are not going to operate 100% thus results in delay in supply of construction materials and shortage of labors, which can also impact the schedule of on-going projects.

## OFFICE SPACE

In our view, office space utilization rates will fall as WFH increases and mainly companies have to hire a space for not more than 50% of employees because in this time all of us are in habit of doing WFH.

## COST OVERRUN

Due to lockdown and delay in completion, the interest amount will increase on loan taken for project funding. Which will eventually increase the cost of construction and prospective buyer will have to pay more for the units.

## MIGRANT LABORS

As per our view, due to continuous lockdown and restriction on construction activities, many labors migrated to their home place. To ensure their livelihood, Government has circulated that all the migrant labors have to get their jobs in the state where they belong.

1

Research Overview

2

Economic Obsolescence

3

Sectors

4

Services

5

Offices





## SECTOR 4: POWER

# EXTERNAL FACTORS DETERMINING POWER SECTOR

## Supply

Energy from nuclear, coal, gas, oil and renewable sources reacts quickly in response to demand. Prices fluctuate hourly as a result.

## Electricity Price

In many states electricity prices are controlled by state electricity board, while some state private players are controlling prices.

## Fuel Price

62.4% of the power generation is through Coal, Diesel and Gas & Lignite. As the fuel prices vary, which in turn affects the cost of electricity

## Demand

Demand for electricity changes according to business activities and weather conditions.

## Competition

There is intense competition in power sector but still there is room for new entrant as India is focusing on moving to renewable sources.



Research Overview

Economic Obsolescence

Sectors

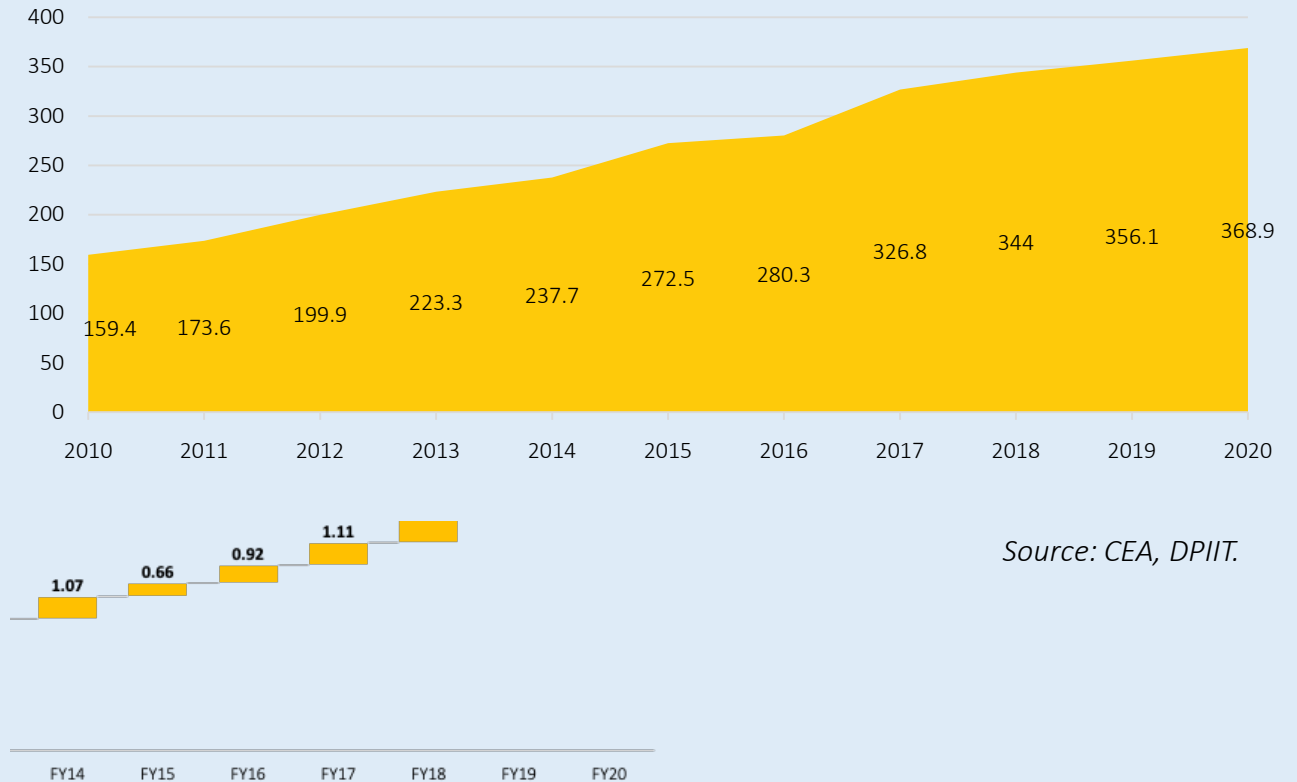
Services

Offices

# PRE- COVID SCENARIO

- India is the third largest producer and consumer of electricity in the world, with the installed power capacity reaching 370347.52 MW as of April 2020.
- As of October 2018, India has 4<sup>th</sup> largest wind power capacity (34.9 GW) and 5<sup>th</sup> largest solar power capacity (24.3 GW).
- FDI up to 100% is permitted in the renewable energy sector under the Automatic route and no prior Government approval is required.
- Increase in electricity demand with peak demand growing by 61% from 110 GW in FY 2008-09 to 177 GW in FY 2018-19.
- Government is planning to supply power by renewable sources to upcoming 100 smart cities.
- India's per capita consumption is growing gradually from 957 kWh in 2014 to 1181 kWh in 2019.
- Government aims to set-up at least 50 solar parks, each with a capacity of 500 MW.
- Renewable energy sector re-classified as 'white category' sector under pollution laws.

Electricity Generation (in GW)



Source: CEA, DPIIT.

Source: CEA, DPIIT.

# PRE- COVID SCENARIO

1

## Demand Risk

Due to lockdown demand for electricity is decrease by more than 25% as the major consumer (industries are either closed or operating at low capacity).

## Price Risk

Reduced coal demand by other industries may put pressure on its prices.

2

3

## Investment Risk

Potential delay in project construction and commissioning especially for under-construction plants.

## Road Ahead

Solar PV module prices could increase by 10-20% due to supply chain disruption. Increase in overall cost of the project will affect tariff, debt service obligation and overall project viability.

4

1

Research Overview

2

Economic Obsolescence

3

Sectors

4

Services

5

Offices



# CONCLUSION

## GOVERNMENT MEASURES

Government has taken many prompt steps like:

1. Extending last date for Income Tax Return.
2. Extending filing GST returns.

## DISCOM HEALTH

DISCOMs are in poor financial health and are unable to buy power, and invest in the transmission and distribution infrastructure. To save DISCOM from liquidity, government announced INR 90,000 Cr. liquidity injection plan.

## ELECTRICITY ACT, 2020

Government has introduced Electricity (Amendment) Act, 2020 to encourage private investment. The Power Ministry came up with a franchisee model plan for states to have multiple private franchisees as power suppliers, and distribution utilities would act as wholesale electricity suppliers.

## REVENUE LOSS

As per CII, the lockdown would result in total demand compression of upto ~15-20 billion units of electricity, implying a net revenue loss of Rs 25,000 to Rs 30,000 crores at the DISCOM level

## INVESTMENT AND CAPEX

Delay in meeting renewable energy (RE) targets set by the government, if the lockdown continues. Likely slowdown in future investments due to stress in capital markets, reduced risk appetite and demand uncertainty.

1

Research Overview

2

Economic Obsolescence

3

Sectors

4

Services

5

Offices



# SECTOR 5: BANKING

# EXTERNAL FACTORS THAT AFFECTS BANKING SECTOR

## INFLATION

Inflation and interest rates are related to each other. Inflation not only affects the prices of goods and services but also affects the demand. Inflation directly affects interest rates in the economy and thereby bank's incomes.



## EXCHANGE RATES

Fluctuation in exchange rates affects bank income both directly and indirectly. The direct effect comes from bank's holdings of assets with net payment streams denominated in a foreign currency.



## GDP

Banking sector is considered as the backbone of country's economy. Also, it provides employment to more than 1.5 million people.



## CRISIS

In crisis, many banks face issues like running short of money. Even, small banks may go out of business. These will not only affect economic growth but will also lead to unemployment.



1

Research Overview

2

Economic Obsolescence

3

Sectors

4

Services

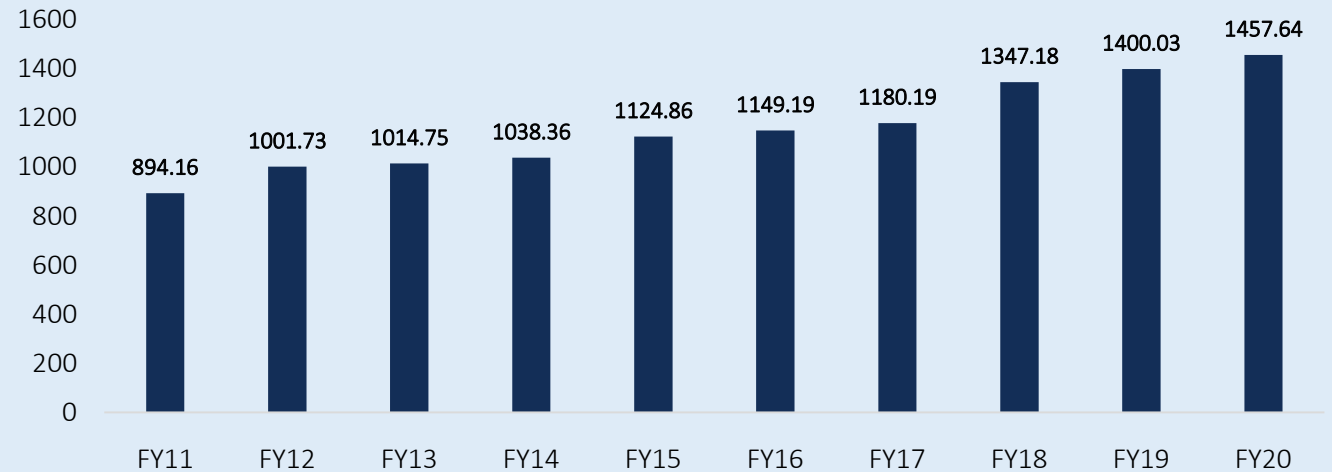
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Offices

# PRE- COVID SCENARIO

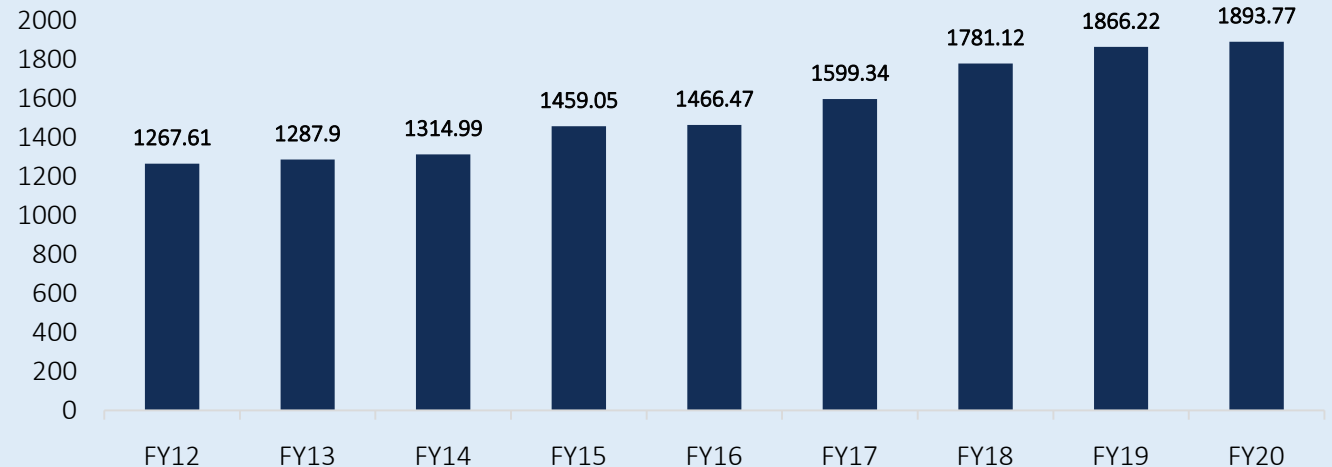
- As per NFS, there are more than 2.48 lakh ATM's in India as of April 2020.
- As per RBI, Indian banking system consists of 18 public sector banks, 22 private sector banks, 46 foreign banks, 53 regional rural banks, 1,542 urban cooperative banks and 94,384 rural cooperative banks as of December 2019.
- RBI has allowed, regional rural banks to launch online transaction through internet banking facilities.
- As per BCG report, India's Digital influence is on boost. In FY18 India's digital lending stood at US\$ 75billion.
- As per Union Budget 2019-20, the government has proposed fully automated GST refund module and an electronic invoice system that will eliminate the need for a separate e-way bill.
- 'MANI' app was introduced by RBI, for visually challenged people, which can help in identifying currency notes.
- As many private banks are planning to expand, these will create employment opportunities.

Growth in credit off-take over the past few years (US\$ Billion)



Source: RBI

Growth in deposit over the past few years (US\$ Billion)



Source: RBI

1

Research Overview

2

Economic Obsolescence

3

Sectors

4

Services

5

Offices



# PRE- COVID SCENARIO

1

## **B a d L o a n / B a d D e b t**

According to the report published in Firstpost, bad loans in banking sector may rise by Rs 5.5 lakh Cr. this fiscal. While there were already many cases are registered with IBC & NCLT.

## **U n c o n t r o l l e d N P A G r o w t h**

AS per RBI, gross NPA (non-performing assets) will rise to 9.9 percent by September, which will be the highest among emerging economies.

2

3

## **R i s e i n S e r v i c e C h a r g e s**

To overcome the losses due to lockdown banks may increase their service request charges, digital transaction charges and penal charges.

## **E M I m o r a t o r i u m**

If people defer repayment by schedule, the loan tenure will automatically extend by the same amount, and will invariably lead to extra interest charges.

4

1

Research Overview

2

Economic Obsolescence

3

Sectors

4

Services

5

Offices

# CONCLUSION

## GROWTH OF DIGITAL BANKING

One visible impact of Covid-19 is there is an increase use of digital banking. As per the initiative taken by government and bank no physical transfer of notes was noted.

## GOVERNMENT INITIATIVES

To boost the liquidity in the economy post Covid, RBI has reduced repo rate by 40 basis points to 4 per cent .

## INCREASE LIQUIDITY

Due to Covid-19, unemployment rate increased to 27.11%. Due to this pandemic, the unemployment rates will increase and the demand of loans in bank decreases.

## PAYMENT DEFAULT

In our opinion, many companies/industries may get default/ bank corrupt. This will impact the liquidity as well the revenue of the bank.

## IBC

The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017 Bill has been passed by Rajya Sabha and is expected to strengthen the banking sector. However, Govt. has also passed a resolution to admit no new cases under IBC for a time period of 6 months.

1

Research Overview

2

Economic Obsolescence

3

Sectors

4

Services

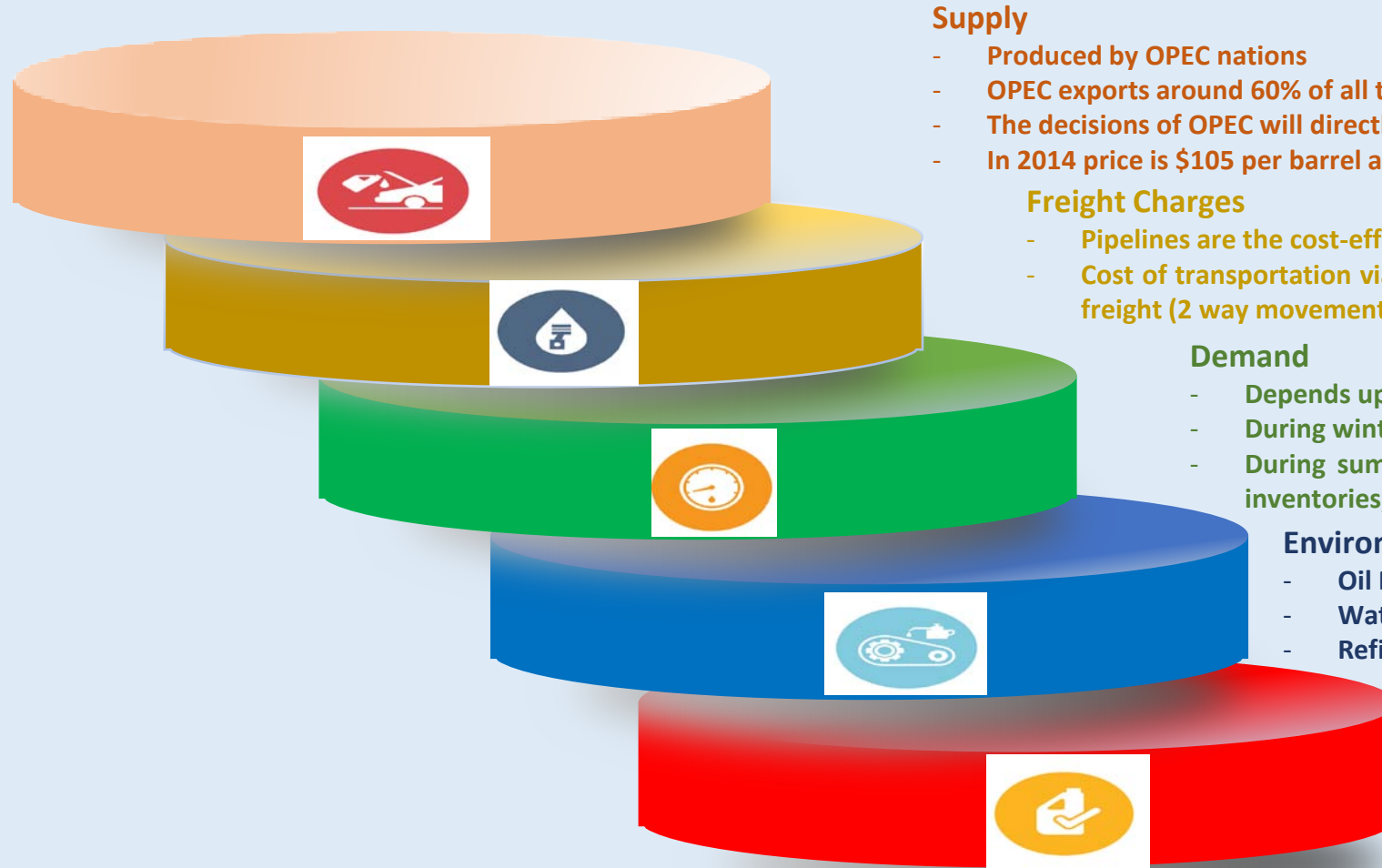
5

Offices



# SECTOR 6: PETROLEUM

# EXTERNAL FACTORS AFFECTING PRICES OF PETROLEUM SECTOR



## Supply

- Produced by OPEC nations
- OPEC exports around 60% of all the oil traded in international markets
- The decisions of OPEC will directly impact the prices of Crude oil in global markets
- In 2014 price is \$105 per barrel and in 2020 it is \$30 per barrel

## Freight Charges

- Pipelines are the cost-effective way
- Cost of transportation via pipeline is 54 paise per tonne per km while road freight (2 way movement) is around Rs.5/ tonne per km

## Demand

- Depends upon the weather conditions
- During winters, in many countries the use of energy increasing for heating
- During summers, the demand as well as supply exceeds also petroleum inventories, which results mostly crude oil price increases.

## Environmental Issues

- Oil Mining & Gas exploration
- Water contamination
- Refineries emissions & production of plants

## Natural Causes

- Hurricane hitting oil producing countries
- Results in skin & eye irritation



# PRE & POST- COVID SCENARIO

## Pre- Covid Effect

- As per IBEF, in India, as of march 2020, the capacity of oil refining in the country is 249.4 trillion barrels, results us to makes the second largest refiner in Asia.
- Around 4.5 thousand million barrels of proven oil reserves is what India had at the end of 2018 and India had a network of around 10,419 km of crude pipeline with capacity of 147.9 MMTPA (Million metric ton per annum).
- India has a growing demand for oil
- 100% FDI in upstream and private sector refining projects

- After covid-19, in India, petroleum consumption will fall to 10 years low
- In march, it already fell by 18% to 16,083 TMT as compared to same month previous year
- On 31 December 2019 -- on the date of reporting of COVID-19 -- WTI oil future was trading at US \$61.06 and price dropped to \$23.36 on 23 March 2020. More than 61 per cent fall in the price of WTI stated by IBEF.
- In India the consumption of diesel fell by 24.83% to 5,651 TMT compared to last year.
- WFH is one of the reason as most our vehicle and public transport facilities are not moving.

## Post Covid Effect

# CONCLUSION

**Before Covid-19**

**After Covid-19**

**Movement of Vehicles & public transport will slow down**

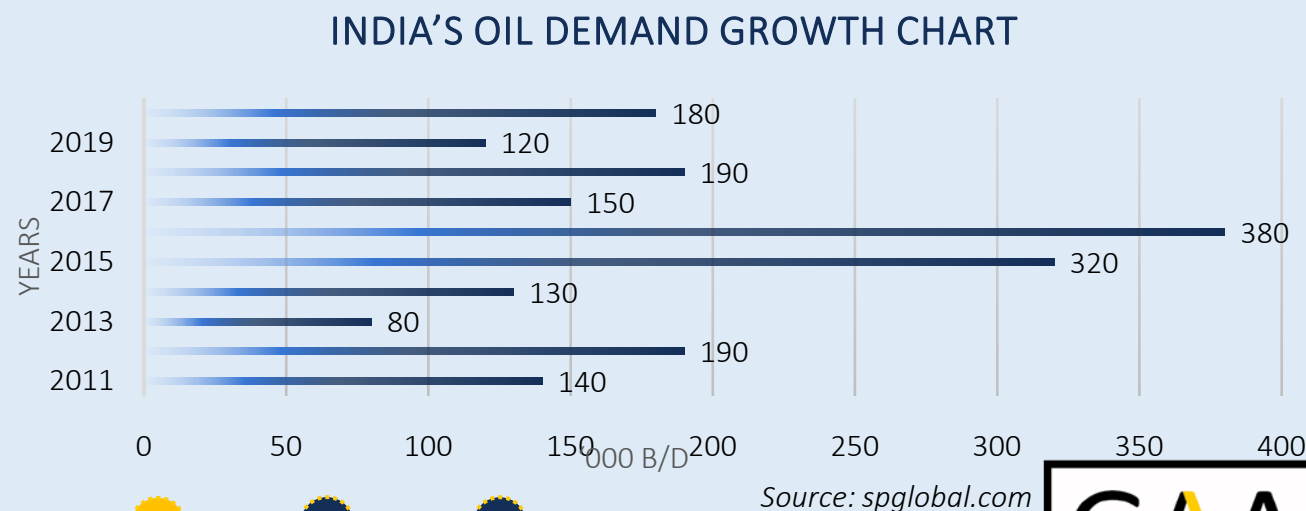
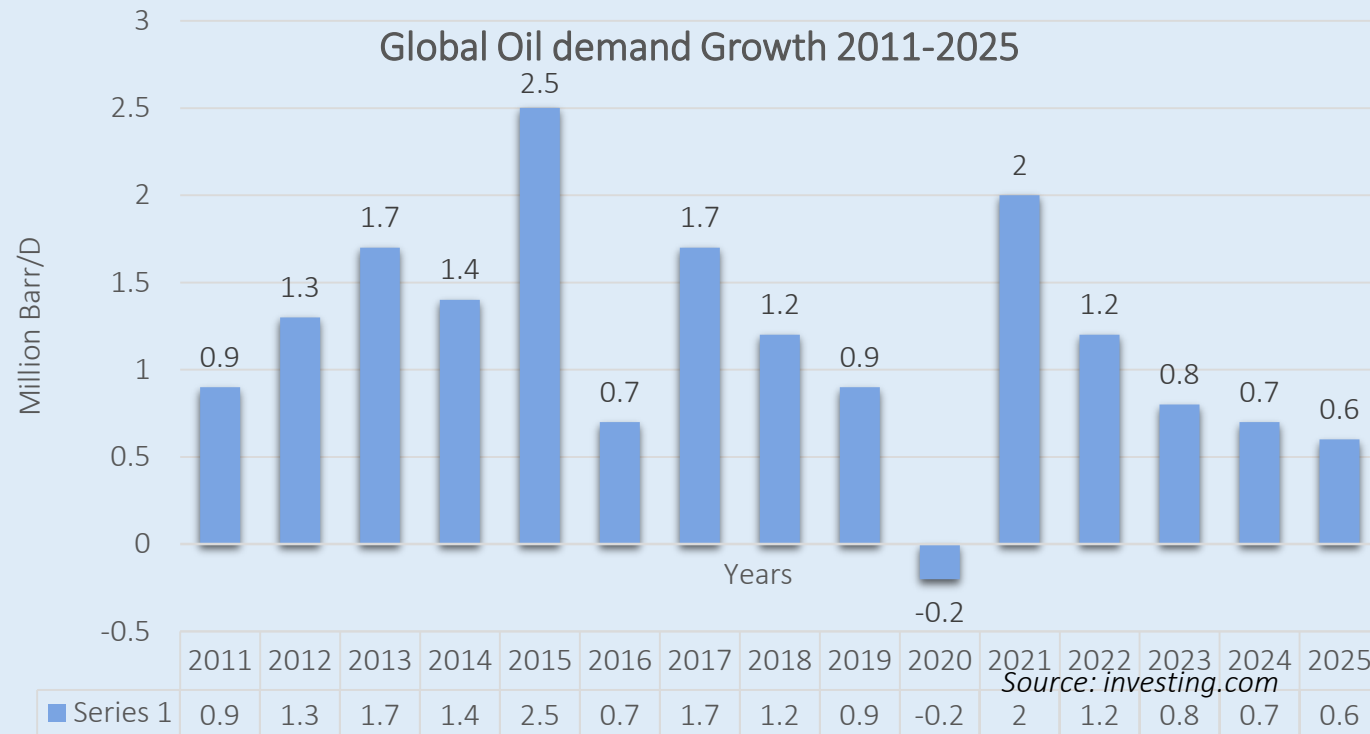
**Prices may increase in all the countries**

**Consumption Growth will slow down**

**Quantity of producing the petroleum by every country is raising rapidly**

**Also the consumption level recorded in high in various countries**

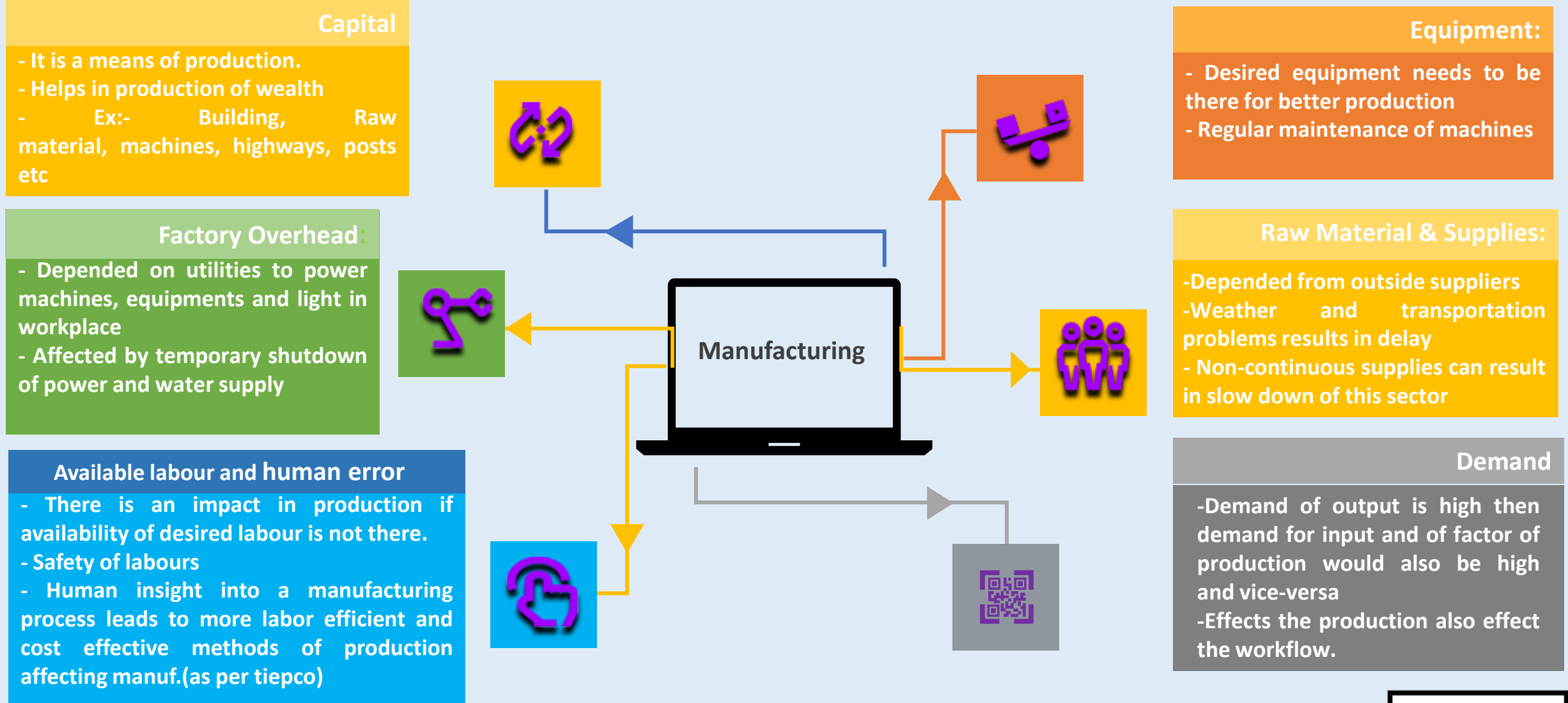
**Availability of crude oil is likely to hit the market and rapid changes in oil prices may vary**





# SECTOR 7: MANUFACTURING

# External factors that causes delay in manufacturing sector



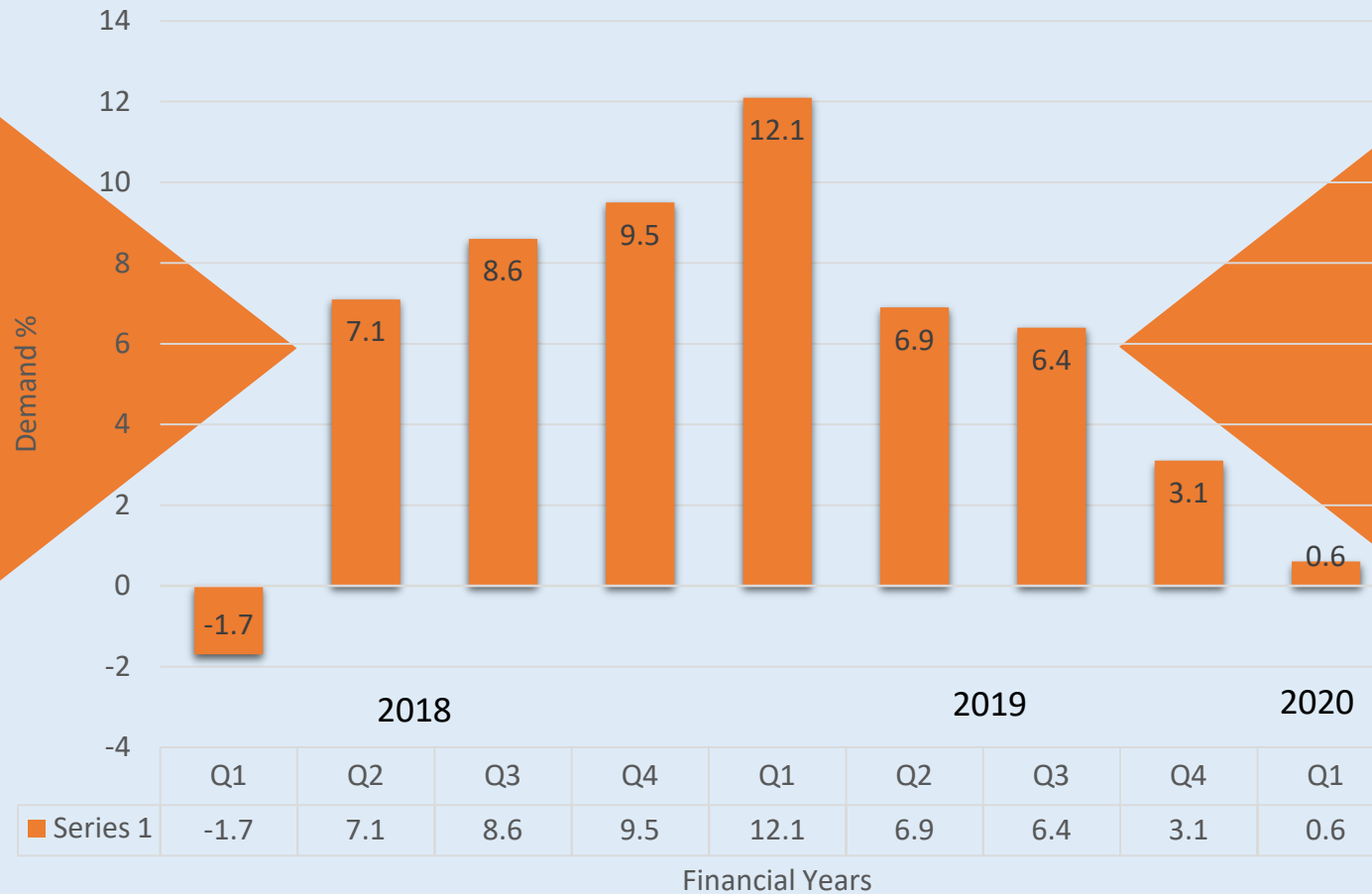
# PRE & POST- COVID SCENARIO



## Pre- Covid Scenario

- In Q1-FY'19 manufacturing growth was 12.1%(as per business standard)
- In year 2014 April to March 2019 the inflow of FDI was around \$286 billion, which is nearly 46.9% of the overall FDI received in the country.
- Proper manage of workforce & flexibility
- Manufacturing sector is having a good growth due to launching of new technologies (specially Automobile)

## Persistent Slowdown



Source: businessstandard.com



## Post- Covid Scenario

- In Q4 of 2018-19 the growth is around 3.1% and this year it has slumped to 0.6% (as per business standard)
- Low Consumer Demand
- Around 13% of production falling on automobile sector as on date.
- Other Industries like paper, furniture, and fabricated metal products were the biggest losers.
- Due to this pandemic this sector will take a slow start and not all desired labors would return till this covid-19 slows down.



# CONCLUSION

## Mass Unemployment

- As per our opinion, due to the spread of this disease all the sectors specially manufacturing sector has already laidoff many employees.
- In short-term scenario, labors won't be able to join on immediate basis
- Impact on liquidity

## Schemes

- Atmanirbhar bharat schemes boosts all the MSME's sector
- Loan can be paid with less interest
- Extension of days in loan etc



## Cost-Overrun

- In our opinion, after 2-3 months of lockdown, machines need to be serviced
- Other sector's impact might behave worst on this sector
- High electricity charges, labor charges, transportation charges.

## Impact on operation

- In current scenario, India is facing huge losses
- In our view, it may take around 7-8 months to back on track
- Screening, Sanitization and other form of cleaning are going to be the permanent thing

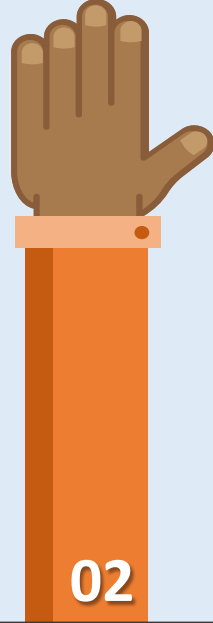
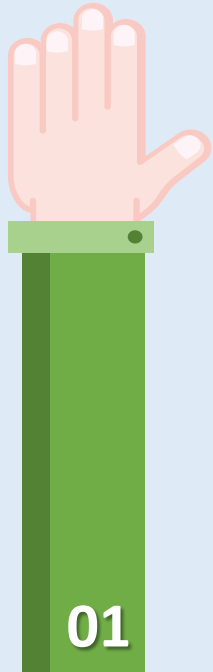


## SECTOR 8: TELECOMMUNICATION

# EXTERNAL FACTORS THAT AFFECTS TELECOM SECTOR

## Regulation of Policies

- TRAI has been setup under the telecom regulatory act of India, 1997.
- New policies are undertaken by TRAI
- Only Regulatory body in the country

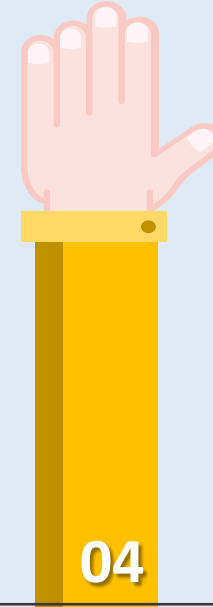
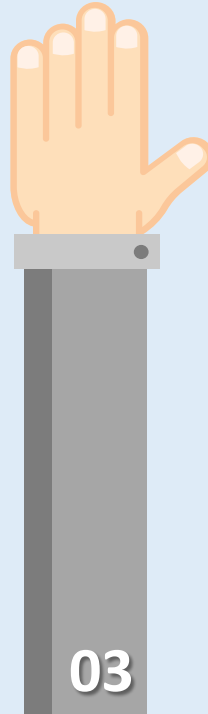


## Demand

- High level connectivity makes demand for better devices
- Earlier people use to have 3G sim's now market is shifted to 4G
- Population growth
- Lockdown has promoted the 'Work From Home' culture, creating huge demand for internet speed and better services

## Innovation

- In India, there are many operators trying to capture individual by their own innovative schemes
- 5G is the next innovation and revolution

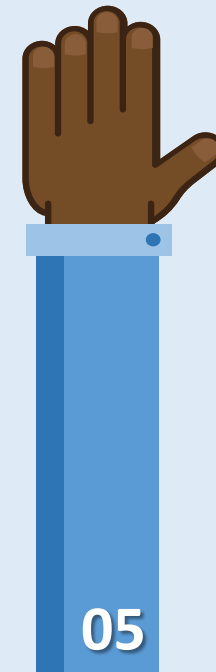


## Competition

- Numerous operators are committing themselves for better services
- High benefits with low cost is initiated by Jio
- Optical fibre is the new trend for Wifi which is captured by Jio due to substantially low prices

## Affordability

- The schemes by the operators are reasonable
- Jio is providing all free calling and internet facilities for as low as Rs.149/month
- For better reach, other operators are doing the same



# PRE- COVID SCENARIO



## Telecommunications

- According to IBEF, India is the world's second largest telecommunications market, with total telephone subscriber base and tele-density of around 1,172.44 million and 88.56 per cent, respectively, as on December 2019.
- In coming five years, there is declination of data cost & rise in mobile-phone penetration.
- India will going to have another new 500 million internet users which will create opportunities for new businesses.
- 542 banks have already been asked to shift their business to mobile banking in Jan 2020.
- As per the IBEF report, India achieved 100 per cent digitization of cable TV network in June 2019
- Country-wide Optical Fiber Cable (OFC) coverage doubled – from 700,000 km to 1.4 million km.

### Market Size

#### Global Market

Second Largest telecom network    Fastest Growing app market    Second highest number of internet users



Subscriber base of 1,722.44 million, as of December 2019

### Sector Composition

#### Composition of Subscribers (FY'20)



### Key Trends

#### Wireless Subscription (million)



#### Internet Subscription (million)



### Govt. Initiatives

National Digital Communications Policy 2018

Phased Manufacturing Programmed (PMP)

100% FDI

Source: ibef.com

# POST- COVID SCENARIO

## Demand and Current Infrastructure Rise

1

- Dependency on wireless traffic, result in increased pressure on cellular infrastructure
- COAI has written to govt to switch to lower definition stream
- Max companies are entitled for WFH. Thus, the demand for quality internet in this time of pandemic has increased drastically.

## After lockdown Scenario's

2

- Impact on manufacturing of new hardware & systems
- Increase in the quantity of new subscribers, primarily due to WFH culture.
- Changes on tariffs plans
- Broadband Tariffs slashed
- New Schemes & E-sim card facilities more prevalent.

## Internet revenues increment

3

- As per Invest India release, the service of Mobile value-added industry is expected to grow at a CAGR of 18.5% during the period 2015-2020 and reach US \$23.0 Billion by 2022
- New plans for internet services

## Projects & Setups

4

- 268 mobile and mobile components manufacturing units set up across the country
- Made in India-Manufacturing Program (PMP) to promote domestic production of mobile handsets
- Bharat net Project-Optical fibre cables laid over 100,000 gram panchayats

1

2

3

4

5

Research Overview

Economic Obsolescence

Sectors

Services

Offices



# CONCLUSION

## Customer Attractiveness



- Service providers to provide efficient plans
- Capturing of market by Jio with better plans and deals
- Many providers slashing prices to match Jio ratings'
- Merger of Vodafone and Idea.

## Support of Policies



- As per IBEF, scheme by National Digital Communication Policy to attract \$100 billion worth investment to generate 4 million job in this sector by 2022.
- National broadband mission to provide broadband in every village by 2022.

## Growth



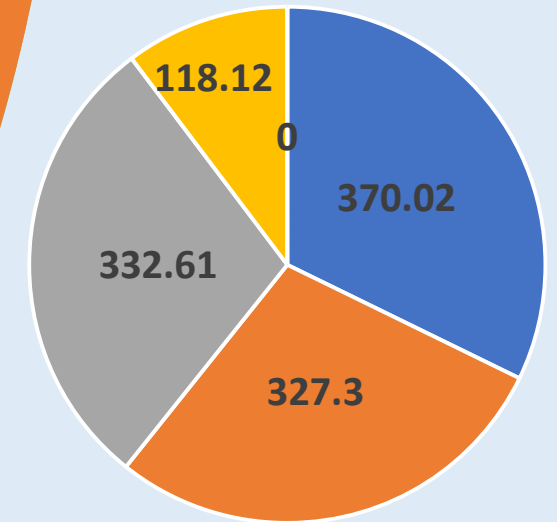
- New Tariffs plans, towers installation making everyone connected to each other
- 70% increase of telecom subscribers in rural areas as per IBEF

## Strong Demand



- Largest data consumer globally, highest data usage per smart phone
- Second in telecom subscription, internet subscribers
- In our view, companies like Jio making business in lockdown, to provide better technological services to all the Indians

## SUBSCRIBERS IN MILLIONS



■ JIO ■ Airtel ■ Voda-Idea ■ BSNL ■

Source: statista.com

1

2

3

4

5

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Offices



# SERVICES

# SERVICES

## VALUATION

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### Business & Business Interests

- Business & Equity Valuation
- Valuation of Start-up / IPO / REIT / M&A, Leverage Buyout Valuation
- Valuation of ESOPs and Sweat Equity
- Valuation for Tax, Capital Gain, Transfer Pricing
- Valuation for Financial Reporting, Fairness Opinion, Purchase Price Allocation (PPA) for M&A
- Determination of Swap Ratio under Merger and Demerger
- Valuation of Inventory / Stocks and Debentures / Receivables
- Litigation and Dispute Support

### Intangible Assets

- Valuation of Brands, Goodwill, Trademark, Copyright, Patents, Other Intangible Assets & Intellectual Property
- Valuation for Financial Reporting, Fairness Opinion, Purchase Price Allocation (PPA) for (M&A)
- Impairment Studies of Intangible Assets

### Financial Instruments

- Valuation of Financial Securities, Instruments & Derivatives
- Valuation for M&A Transaction, under Insolvency & Bankruptcy Code

### Immovable Assets (Real Estate)

- Valuation of Land, Building Residential / Commercial / Industrial Estates
- Valuation of Infrastructure Assets, Expressways / Toll Ways & Specialized Assets
- Valuation for Capital Gain Tax, Stamp Duty, Litigation & Dispute
- Impairment Studies for Financial Reporting, PPA, Cash Generating Units
- Mines, Mineral Advisory and Valuation
- Valuation under Insolvency & Bankruptcy Code (IBC)

### Movable Assets (Plant & Machinery)

- Valuation of Industrial Assets and Plant & Machinery
- Valuation of Infrastructure Assets & Specialized Assets, Power Plants
- Fairness Opinion, Purchase Price Allocation for M&A
- Impairment Studies for Financial Reporting, Cash Generating Units
- Valuation under Insolvency & Bankruptcy Code (IBC)

## Transaction Advisory

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- Buy side due diligence and closing due diligence
- Vendor due diligence and vendor assistance
- Sale Purchase agreement (SPA) and Business Transfer Agreement (BTA)
- Assistance in deal negotiation

# SERVICES

## RISK CONSULTING

### Strategic & Risk Advisory Services

- Techno Economic Feasibility Studies
- Economic Viability & Financial Appraisal
- Business Plan Review

### Technical Support Services

- Lender's & Investor's / Independent Engineer Services
- Technical Due Diligence, Technical Opinions
- Chartered Engineers Opinion & Certification
- Project Cost Investigations
- Project Appraisal & Monitoring

### Agency for Specialized Monitoring (ASM)

- Term Loan Monitoring
- Working Capital Monitoring
- Cash Flow Monitoring

### Financial & Treasury Risk Advisory

- Assessment Of Credit Risk, Market Risk & Interest Rate Risk
- Assets Quality Review & Stress Testing
- Assessment of Expected Credit Loss
- Assessment of Asset Liability Management & Liquidity Risk

## INVESTMENT BANKING

- M&A Advisory:
  - Sell Side, Buy Side
  - Domestic & Cross Border
- Partner, Joint Venture & Strategic Alliances
- Government Disinvestment & Privatization
- Fund Raising – Equity, Mezzanine, Structure Finance & Debt
- Distress Investment Banking – One – Time Settlement, Priority and Interim Funding, Rescue Financing and Buyouts

## DISPUTE & LITIGATION SUPPORT

- Valuation Services
- Damages & Loss of Profit Assessment
- Independent Expert Testimony
- Anti – Trust & Competition Advisory
- Post – Acquisition Disputes, Joint Venture & Shareholder Disputes
- Civil & Construction Disputes, Real Estate Disputes
- Intellectual Property Rights Dispute

# ABOUT US

## OUR PARTNERS

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