

MIDNIGHT NEWS UPDATES

- According to estimates put out by CAPA, the total losses of the Indian aviation sector due to the Coronavirus pandemic could be close to \$3.6 billion. Of course, that is assuming that the flight ban continues substantially till the end of June 2020. While the immediate clampdown is for 21 days, CAPAA believes that it may take some time for aviation demand to come back and for people to again get the confidence to fly. In the last few weeks, as the death toll in the Coronavirus pandemic has soared, most countries have imposed an absolute flying ban and also tightened border controls.
- Rating agency CARE has warned that the Coronavirus pandemic could lead to a sharp increase in the level of NPAs of Indian banks. CARE has done a study of 38 banks and has concluded that most of the banks will need to raise additional capital in the coming quarters if the disruption because of the COVID-19 continued. Between June 2018 and December 2019, gross NPAs of the banking system dropped from 11.35% to 9.31%. This was also aided by robust recovery of Rs.3.59 trillion via the IBC route. However, a weak economy, COVID-19 shutdowns and ageing provisions could worsen NPAs.
- According to an analysis by ICRA, Yes Bank will require another Rs.13,000 crore of capital infusion in the next couple of years. The additional capital will be needed to maintain the capital conservation buffer at 2.5%. The equity infusion by a slew of banks and the AT1 bond write-offs resulted in the CET and Tier 1 ratios becoming more comfortable. ICRA has also pointed to the risk of deposit run, which would call for liquidity support. The bigger concern for ICRA is that the recovery of Yes Bank would get complicated as most parts of the Indian economy are currently shut. CASA ratios could hold the key to Yes Bank.
- The board of REC has approved a massive borrowing program for the company for FY20 and FY21. While REC will borrow Rs.94,000 crore in FY20, it will be borrowings Rs.110,000 crore in FY21. The board has also approved the issue of Section 54EC bonds that are eligible for capital gains tax exemption on reinvestment of proceeds of sale in the said bonds. The company will look to raise funds through a mix of equity and debt from the domestic and from the international market. REC is one of the largest players in the power lending spaces and has traditionally also enjoyed an attractive dividend yield.
- Amidst the gloom in the midst of a virtual shutdown of the Indian economy, the government is expected to announce a massive relief package of \$20 billion (Rs.150,000 crore) to boost the sagging sentiments in the Indian economy. It is expected to be a multi-pronged strategy to boost the economy and ensure that the economy is poised to grow rapidly once the pandemic settles and life returns to normal. The package will be announced by the end of this week and is likely to put money directly into the bank accounts of nearly 10 crore poor people. The government also plans to expand its borrowing program for the full year which could also lead to an expansion of the fiscal deficit. One that has already happened is the RBI monetizing the deficit of the government. It is likely to have relief for businesses.
- Affirming the view that Europe is becoming the new epicentre of the Coronavirus, Spain death today crossed that of China. Italy has crossed China long back and is now more than twice the death toll of China. Italy remains the worst affected followed by Spain, France, China, and Iran. Spain has already been in a total lockdown since 14 March. One reason for the sharp rise in COVID-19 cases in Europe is the large ageing population. This segment is the most vulnerable to the virus. Most of Northern Europe has managed to stem the spread much better than the South European nations on the Mediterranean.

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