

## **Firms in 13 sectors have strong balance sheet to weather COVID crisis**

COVID crisis has strained the cash flow position of many small and large enterprises. In fact, many enterprises in the hotels, hospitality and tourism sectors had to face zero revenue, even as they had to pay fixed expenses such as rent, wages, electricity bills etc. The unprecedented financial stress hurt credit worthiness of many companies, thereby prompting rating agencies to downgrade their credit ratings. Most of these companies also posted decline in sales, net profit and gross profit during the Jan-Mar 2020 quarter. It is only in sectors such as healthcare, pharmaceuticals, software services, gas distribution and agrochemicals where companies announced growth in sales and profitability during this quarter.

However, recent reports suggest that despite adverse revenue shock from the COVID crisis, balance sheet of companies remains strong in many sectors. According to a report released by State Bank of India on July 3, 2020, the balance sheet of companies in 13 sectors, including automobile, FMCG and consumer durable sectors are strong enough to overcome the current financial stress. The findings of this report is based on the analysis of balance sheet of 500 listed companies across more than 20 sectors.

According to the report, even though sales and profitability of companies in automobile, FMCG and consumer durables declined in Jan-Mar quarter of 2019-20, the balance sheet of these firms remains strong. The strength of the balance sheet of these firms was analysed based on the debt-equity ratio, ability to repay debt, cash and bank balances and other parameters. Similarly, companies in gas distribution, non ferrous metals, non-electrical capital goods, software services, tyres, gems and jewellery have strong balance sheet, the report shows. On the other hand, companies in sugar, fertilizer, steel, telecom, textile, construction, electrical goods, hotels and real estate have weak balance sheet, the report notes.

Going forward, the report suggests that revival of consumer demand will be the key driver of economic recovery from the current crisis. Therefore, the report suggests that government should take policy steps to boost demand in the economy.

**Source: Latest Report of State Bank of India**

[https://www.sbi.co.in/documents/13958/3312806/030720-Ecowrap\\_20200703.pdf/3c37eda1-31d4-b29f-b25a-22947ae3cb81?t=1593758148941](https://www.sbi.co.in/documents/13958/3312806/030720-Ecowrap_20200703.pdf/3c37eda1-31d4-b29f-b25a-22947ae3cb81?t=1593758148941)

### **Notifications**

### **Press Information Bureau, Government of India**

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Minister chairs Group on infrastructure meeting

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## **RBI**

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