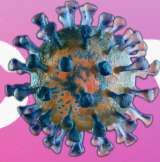




**CMR**  
Insights powered by research

**COVID-19**



# INDIA MARKET OUTLOOK

# Executive Summary | CMR Perspective

**The COVID-19 pandemic is a humanitarian challenge. It needs creative and collaborative strategies to overcome this crisis.**

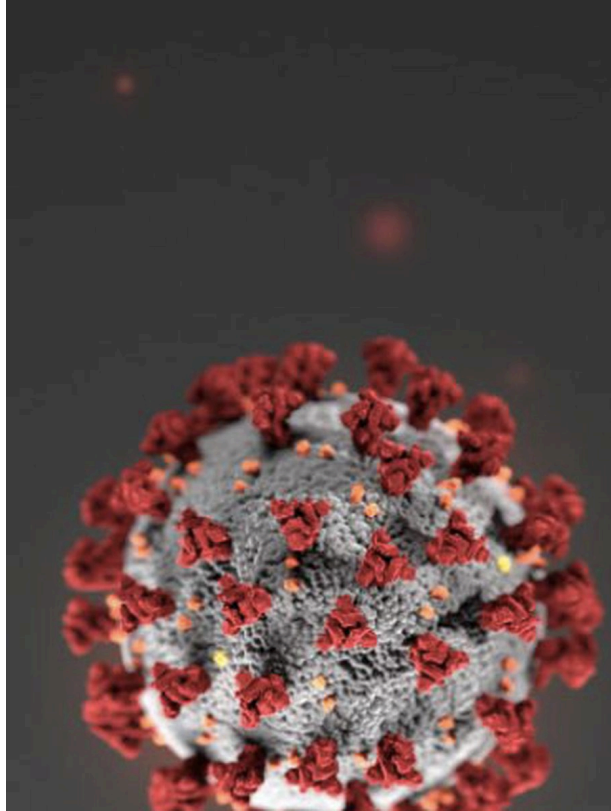
Health professionals in India are at the forefront to tackle the pandemic.

In March, 2020, the World Health Organization (WHO) declared coronavirus as a global pandemic. The rapid spread of the virus has created an unprecedented situation in India and globally. The virus displays unique and deadlier characteristics than other annual flu viruses

The first COVID-19 incidence in India was reported on 30 January 2020, originating from China. The outbreak has been declared an epidemic in more than a dozen states and union territories, where provisions of the Epidemic Diseases Act, 1897 have been invoked.



# Executive Summary | CMR Perspective



On 22 March 2020, India observed a 14-hour voluntary public curfew at the instance of the prime minister Narendra Modi. The government followed it up with lockdowns in 75 districts where COVID cases had occurred as well as all major cities. Further, on 24 March, PM Modi ordered a nationwide lockdown for 21 days. On 14 April, the nationwide lockdown was extended till 3 May.

During the lockdown period, India has adopted a “cluster containment strategy” to contain the disease within a defined geographic area by early detection of cases, breaking the chain of transmission and thus preventing its spread.

# COVID-19 Impact to date

## GLOBAL IMPACT

**2,565,059**

Active  
Cases

**177,496**

Deaths

## INDIA IMPACT

**20,272**

Active  
Cases

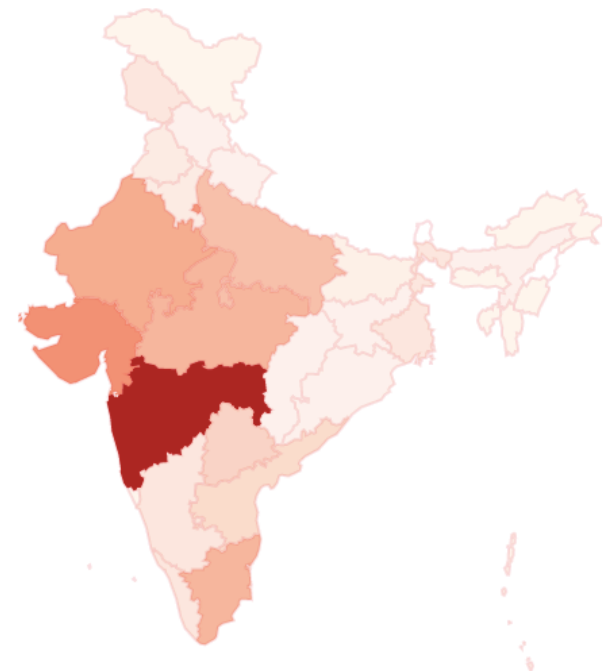
**3,981**

Recovered  
Cases

**650**

Deaths

*\*As on 22 April 2020.*



**Source:** Johns Hopkins CSSE, COVID!9India, MoHFW, and CMR Analysis



# The Business Impact

As the scale and impact of Coronavirus pandemic grows, it is important to get a clear sector-specific view.

It is with this intent that CMR has mapped the COVID-19 impact across key industry sectors. In preparing this market outlook, we have assessed COVID-19 impact, and time to recovery, through primary analyst interactions.

## CMR BAROMETER

### COVID-19 IMPACT



**LOW IMPACT**



**MEDIUM IMPACT**



**HIGH IMPACT**

### TIME TO NORMALCY



**SHORT TERM (< 3 MONTHS)**



**MEDIUM TERM (6-12 MONTHS)**



**LONG TERM (>12 MONTHS)**

# Market View: Key Industry Verticals

SECTOR	COVID-19 IMPACT	TIME TO NORMALCY
	<div>LOW</div> <div>MEDIUM</div> <div>HIGH</div>	<div>SHORT TERM (&lt; 3 MONTHS)</div> <div>MEDIUM TERM (6-12 MONTHS)</div> <div>LONG TERM (&gt;12 MONTHS)</div>
TELECOM	MEDIUM	LONG TERM
MOBILE DEVICES	HIGH	MEDIUM TERM
IT/IT SERVICES	LOW	MEDIUM TERM
PHARMA	LOW	SHORT TERM
BANKING AND FINANCIAL SERVICES	HIGH	MEDIUM TERM
AUTO	HIGH	LONG TERM
FMCG	LOW	MEDIUM TERM

# Market View: Key Industry Verticals

SECTOR	COVID-19 IMPACT	TIME TO NORMALCY
	<div>LOW</div> <div>MEDIUM</div> <div>HIGH</div>	<div>SHORT TERM (&lt; 3 MONTHS)</div> <div>MEDIUM TERM (6-12 MONTHS)</div> <div>LONG TERM (&gt;12 MONTHS)</div>
TEXTILES	MEDIUM	SHORT TERM
BUSINESS SERVICES	MEDIUM	LONG TERM
RETAIL	MEDIUM	MEDIUM TERM
ENTERTAINMENT	HIGH	LONG TERM
TRAVEL	HIGH	LONG TERM
LOGISTICS	HIGH	MEDIUM TERM
AGRICULTURE	MEDIUM	SHORT TERM
GOVERNMENT	MEDIUM	SHORT TERM

SECTOR	COVID-19 IMPACT
<b>TELECOM</b>	<ul style="list-style-type: none"><li>• With Indians operating from a homebound economy, data usage and voice connectivity has seen a significant spike, by around 12-16% in the home broadband and mobile.</li><li>• However, the future outlook of the sector remains grim due the tariff war and pricing pressures translating into weakened profitability and elevated debt levels, coupled with and the adjusted gross revenue (AGR) dues.</li></ul>
<b>MOBILE DEVICES</b>	<ul style="list-style-type: none"><li>• Mobile brands were initially hit with supply issues from China. Later on, as India entered an extended lockdown, supply remain hit with no sales in April. Beyond COVID, the currency fluctuation and GST hike also compound the challenge. Consumer demand will remain muted in the face of personal and economic uncertainty.</li><li>• We anticipate the mobile market to recover in 2H 2020 in the run-up to the festive season.</li></ul>



SECTOR	COVID-19 IMPACT
<b>IT/IT SERVICES</b>	<ul style="list-style-type: none"> <li>• Lockdown can impact IT companies in the long run as clients may start de-risking. Global enterprise served by tier-1 IT Service companies may plan to move their critical work to other locations to diversify or may ask to provide services from other foreign locations.</li> <li>• In the short-term, there will be a slowdown in terms of discretionary IT spending as well as contract renewals and new deals getting signed. Tier-2 &amp; 3 organisation will be get impacted more as the discretionary projects are around 15-20% contribution.</li> <li>• The future of work will get strengthened with focus on cloud, automation, collaboration tools, big data, digital channel, and security solutions.</li> </ul>
<b>CONSUMER GOODS</b>	<ul style="list-style-type: none"> <li>• Supply will pick-up once the lockdown is lifted. Enterprises will have to tide over potential human resource challenges arising from migration of assembly line workers to their homes.</li> <li>• Consumer demand will remain muted until beginning of Q3 2020, owing to personal and economic uncertainties. However, it should see a potential upstick in electronics goods, such as smartphones.</li> </ul>

SECTOR	COVID-19 IMPACT
<b>P H A R M A</b>	<ul style="list-style-type: none"> <li>India imports nearly 70% of its active pharmaceutical ingredients from China. As China has resumed its business operations, we anticipate a swift recovery in India with active government support.</li> <li>Likely to sustain volume growth from increasing demand for medicines and near-term earnings boost from any deferment of R&amp;D spends. Government policies and incentives are likely to drive strong structural growth in APIs and the CRAMS businesses.</li> </ul>
<b>B A N K I N G A N D F I N A N C I A L S E R V I C E S</b>	<ul style="list-style-type: none"> <li>The disruptions caused by the lockdown, and ensuing sharp decline in economic spending, rise in unemployment, and low private investment will weigh high on the banking sector. NPA and restructured assets were elevated even before COVID. The NPA ratio will spike by around 2% in 2020.</li> <li>The policy initiatives announced by RBI, and other future initiatives, will need to be closely monitored. Government has already cut rates, easing regulations and injecting liquidity.</li> </ul>
<b>B U S I N E S S S E R V I C E S</b>	<ul style="list-style-type: none"> <li>The impact on business services will be long-lasting. The nature and future of business services will be dependent on how the future of work evolves.</li> </ul>

SECTOR	COVID-19 IMPACT
<b>AUTO</b>	<ul style="list-style-type: none"><li>• The sector was limping back to normalcy riding on a good festive season and retails till the first couple of weeks in March. Spread of COVID and lockdown has impacted sector and halted the recovery process.</li><li>• Consumer demand will remain muted owing to personal and economic uncertainties.</li><li>• Depending on the nature and trajectory of opening up lockdown, there could be still a single digit (6-7%) decline in PV, CV and Two-wheeler volumes.</li></ul>
<b>TEXTILES</b>	<ul style="list-style-type: none"><li>• The consumer demand could move back to normalcy in H2 2020, giving a much-needed boost to the industry.</li><li>• Textile exports will potentially take a longer time to recovery and will depend on how market conditions in Western Europe and US recover.</li></ul>

SECTOR	CURRENT CMR ASSESSMENT
RETAIL	<ul style="list-style-type: none"><li>• With essentials continuing to be in good supply, we do not foresee much of a challenge.</li><li>• Non-essential retail items will bounce back once e-commerce operations resume, and fuelled by latent consumer demand to spend.</li><li>• COVID-19 could benefit some opportunistic retailers. Consumers have flocked back to mom-and-pop stores.</li></ul>
FMCG	<ul style="list-style-type: none"><li>• Lockdown did initiate some panic buying triggered by hoarding behaviour and hence few categories like packaged food, health and hygiene products were beneficiaries.</li><li>• Due to lockdown, manufacturing for all the companies were either scaled down substantially or shut down resulting into a 5-7% decline in volume.</li></ul>
ENTERTAINMENT	<ul style="list-style-type: none"><li>• In the new normal, the consumer uptake for entertainment will potentially remain muted owing to social distancing measures.</li><li>• The potential for high uptake of direct-to-home OTT remains high.</li></ul>

SECTOR	CURRENT CMR ASSESSMENT
TRAVEL & TOURISM	<ul style="list-style-type: none"><li>• The impact of travel has been catastrophic. In a post-virus era, the nature of travel will shift considerably.</li><li>• It will be hard to anticipate the pace of recovery post COVID-19.</li><li>• Recovery is likely to be slower. Even during SARS breakout in late 2002 and at 9/11, it took more than 12months for traffic growth to recover.</li><li>• Economic weakness will have negative impact on demand. A further consolidation may be in offering due to COVID</li><li>• In the new normal, the domestic sector will drive the rebound for tourism. While business travel will become constrained to absolutely critical scenarios, leisure travel will shift from globalized, must-see tourism to sustainable, eco-friendly ones.</li></ul>
LOGISTICS	<ul style="list-style-type: none"><li>• Once the new normal is accomplished, logistics will rebound and thrive.</li></ul>

SECTOR	CURRENT CMR ASSESSMENT
AGRICULTURE	<ul style="list-style-type: none"><li>• Owing to the lockdown, the Agriculture sector has been badly hit. This is the peak of <i>rabi</i> season in India with time for harvesting of crops like wheat, gram, among others, the breakdown in food supply chain linkages from farm to fork have resulted in losses to farmers.</li><li>• In the new normal, it will take sometime for supply chain linkages to normalize, and for farm labour to be back on track.</li><li>• A favourable monsoon is predicted this year as per many climate models, and this could be a good harbinger.</li></ul>
GOVERNMENT	<ul style="list-style-type: none"><li>• COVID19 will hasten the anytime, anywhere, always-on work culture, through stronger and rapid digital transformation.</li><li>• Emphasis will be on collaboration tools, cloud and security.</li></ul>



# Future Economic Scenarios

## THREE ECONOMIC SCENARIOS FOR COVID-19

1

a temporary impact,  
swift V-shaped recovery

The COVID impact lasts for a quarter,  
and the return to normalcy is swift.

The pent-up consumer demand results  
in increased spending in 2H 2020,  
leading upto the festive season.

Policies to drive higher FDI inflows

Enterprises invest, and rise production  
levels to cater to increased demand.

2

a prolonged impact,  
slow U-shaped recovery

The COVID impact lasts for 2 quarters, and  
the return to normalcy is slow.

Consumption spending remains constrained  
owing to personal and future uncertainties.

Spike in unemployment and poor rural  
demand compound challenges.

3

a protracted impact,  
slow L-shaped recovery

The COVID impact lasts for 3-4  
quarters.

Significant spike in debt and rise in  
job losses in a state of long lockdown  
impacts consumer consumption.

Production capacity is curtailed  
down.

Key Factors  
To Focus On

1

Evolving nature of  
the virus

2

COVID  
Vaccine Lead-time

3

COVID  
Mitigation Efforts

4

Economic  
Stimuli

# Supply Chain disruptions posit a new era

As a consequence of the COVID19 pandemic, the manufacturing outputs of specific cities as well as regions dropped drastically, unleashing a supply chain crisis everywhere.

The pandemic has exposed supply chain vulnerabilities faced by lower-tier suppliers in the value chain. While enterprises had a risk management strategy for top tier enterprises, the pandemic has brought forth a greater understanding of supply chain exposure, and the need to decentralize operations from a specific city, region, or nation.

## **A new Make in India to the fore**

- Make in India will see a potential fillip, aided by Government policy initiatives and industry sentiments, especially in sectors such as pharmaceuticals, consumer electronics and automotives.
- Make in India will face severe competition from the ASEAN economies. The future will belong to those who seize the moment and drive competitive advantage.

# About CMR

CMR offers its clients, strategic and tactical insights in the form of market intelligence, market sizing, market ecosystem mapping and go-to-market services.

CMR combines research insights and ecosystem knowledge gained from CyberMedia with our strategic consulting interventions for client competitive advantage.

Working closely with clients in a result-oriented collaborative approach, we aim for a high level of client satisfaction with our work.





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