

Kerala floods hit tyre cos, lenders

Federal Bank, Muthoot Finance, Ramco Cement, BPCL among companies to be impacted

Pooja Kelkar

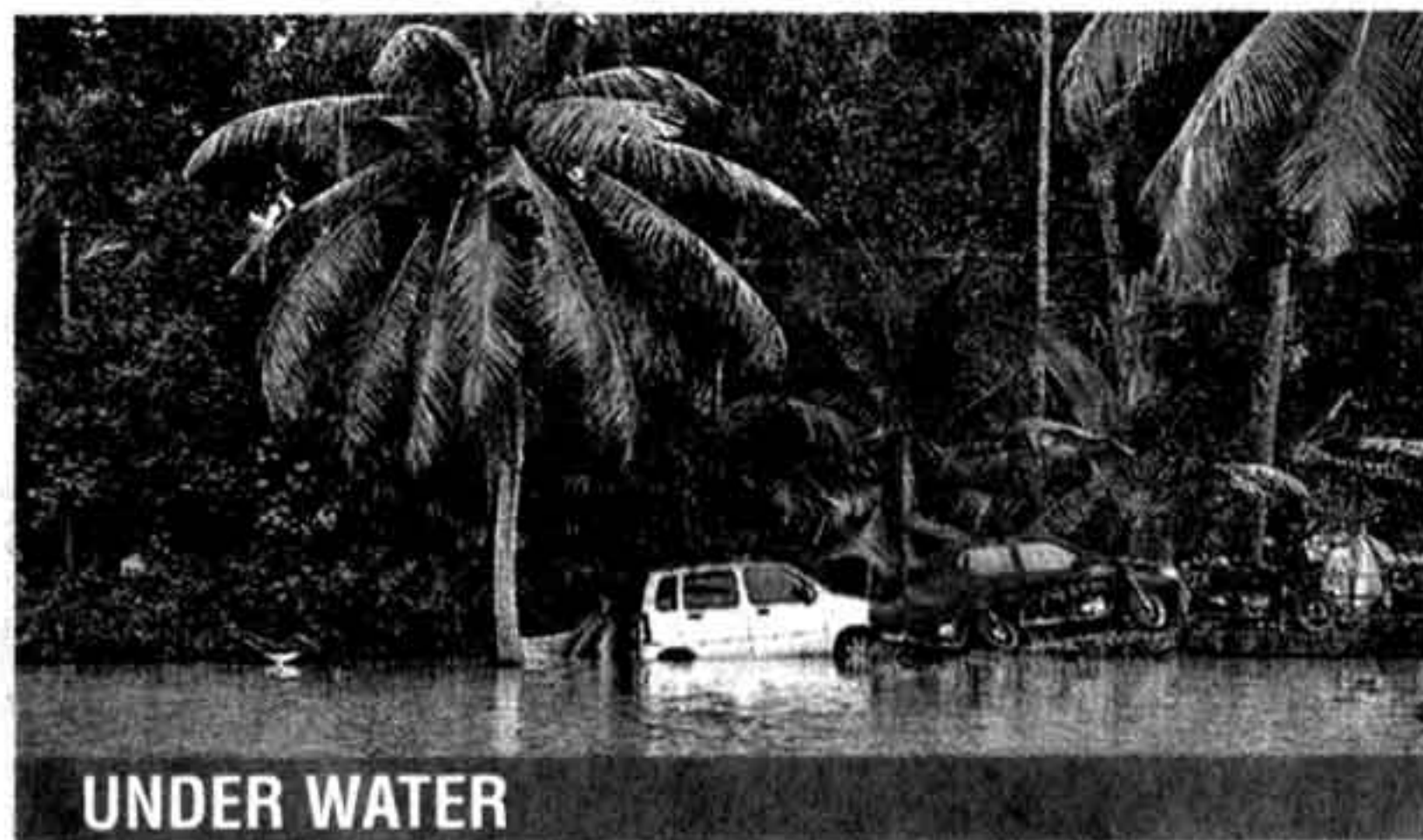
Mumbai: The chaos due to natural calamity in Kerala may harm the corporate performance of companies having business exposure in the state, an analyst said.

“Torrential rains followed floods in Kerala, submerging 80% of state. This will affect Q2FY2019 performance of industry/companies (including tyre companies, BPCL, Wonderla Holidays, V-Guard Industries, South Indian Bank, Federal Bank, Muthoot Finance, Cement companies - Ramco Cement and JK Cement),” Sharekhan said in a note.

Meanwhile, India Meteorological Department has withdrawn red alert from all 14 districts of Kerala. It has predicted moderate rains in isolated areas of Kerala over the next 24 hours.

However, investors would remain cautious as second quarter earnings of banks, non-banking financial companies (NBFCs) and tyre makers are likely to take a hit.

Bharat Petroleum Corporation is concerned as its



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■ Tyre companies Ebitda margins to be impacted by 70 bps in event of 6-7% hike in rubber costs and no corresponding pricing action

Kochi refinery is facing delays due to heavy rains. This may, in turn, impact its Q2 performance.

Shares of BPCL slipped 0.44% to Rs 375.95 on the NSE.

The analyst with local brokerage believes that several banks and NBFCs are likely to have an impact in a form of accretion in fresh

slippages, non-performing assets (NPAs).

Among the lenders, Federal Bank remains at a major risk as it has 32% of advances and 480% of branches in Kerala. Its shares slipped 5.51% to end at Rs 81.50 on NSE.

South Indian Bank is yet another Kerala-based bank with total lending exposure of 41% to the state. Of this

Kerala-based lending, 42% of exposure is towards SME/MSME, which remains at higher risk.

Shares of South Indian Bank slipped 2.72% to Rs 17.85 on NSE.

The analyst believes that tyre companies are likely to get impacted as rubber is the main raw material for them and it is mainly sourced from Kerala. The domestic rubber output may turn down by 15% in FY2019.

The Cochin Rubber Merchant Association believes that the fall in the production may result into increase in the prices. The rubber prices may hit Rs 140/kilogram in near term.

“This could inflate the domestic rubber prices in the coming months and could hit the margins of tyre companies like JK Tyres, Apollo Tyres, CEAT, MRF, Balkrishna Industries,” Sharekhan said in a note.

“We expect tyre companies Ebitda (earnings before interest, taxes, depreciation, and amortisation) margins to be impacted by 70 basis points in event of 6-7% hike

in rubber costs and no corresponding pricing action,” the statement added.

Meanwhile, state-owned general insurance companies said on Monday that they are fully geared up to settle claims in flood-ravaged Kerala. National Insurance, New India Assurance, Oriental Insurance and United India Insurance have systems in place and are fully geared to receive claim intimations and ensure smooth and expeditious settlements, the four firms said a joint statement.

With a wide repository of underwriting and claims management resources, they have simplified claim procedures for large-scale losses during natural catastrophes, the statement said. It was observed that claims predominantly relating to motor, property and cattle are being reported, it said.

Monitoring will be done on a continuous basis at the Regional level, Corporate Office level, General Insurers Public Sector Association of India and Department of Financial Services.—TickerNews Service/PTI