

Bangladesh crisis: Crisil sees no near-term impact on India's trade

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Crisil Ratings on Tuesday said the recent developments in Bangladesh did not have a significant impact on India's trade, and it does not foresee any near-term impact on the credit quality of India Inc.

Crisil Ratings said the effect will vary based on industry/sector-specific nuances and exposure.

"We do not foresee any near-term impact on the credit quality of India Inc either," it added.

However, a prolonged disruption can affect the revenue profiles and working capital cycles of some export-oriented industries, for which Bangladesh is either a demand centre or a production hub.

Also, the movement in the Bangladeshi currency Taka will have to be watched, the credit ratings agency said.

RECENT DEVELOPMENTS
"Recent developments in Bangladesh haven't had a significant impact on India's trade and going forward, the effect will vary based on industry/sector-specific nuances and exposure. We do

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not foresee any near-term impact on the credit quality of India Inc either," Crisil Ratings said.

Companies into footwear, FMCG and soft luggage could also see some impact because of manufacturing facilities located in Bangladesh.

These facilities faced operational challenges during the initial phase of the crisis.

However, most have since commenced operations, though a full ramp-up and the ability to maintain their supply chain will be critical, it said.

Engineering, procurement and construction companies engaged in power and other projects in Bangladesh could see execution delays this fiscal as a sizeable portion of their workforce has been recalled to India for almost a month now.

With only a gradual ramp-

up in workforce expected, revenue booking could be lower this fiscal compared with earlier expectations, Crisil Ratings added.

While sectors such as cotton yarn, power, footwear, soft luggage and fast moving consumer goods (FMCG) may see a small but manageable negative impact, ship breaking, jute and readymade garments should benefit, Crisil Ratings said.

For most others, the impact will be insignificant.

India's trade with Bangladesh is relatively low, accounting for 2.5 per cent of its total exports and 0.3 per cent of total imports last fiscal, according to Crisil Ratings.

Merchandise exports mainly comprise cotton and cotton yarn, petroleum products, electric energy, etc., while imports largely consist of vegetable fat oils, marine products and apparel.

For cotton yarn players, Bangladesh accounts for 8-10 per cent of sales; so the revenue profile of major exporters could be affected. Their ability to compensate for sales in other geographies will be an important monitorable, Crisil Ratings added.