



The Federation of Telangana Chambers of Commerce and Industry

(Formerly known as FTAPCCI)

Empowering Industry, Commerce & Trade

Registered under the Companies Act, 1956

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April 27, 2020

Shri Anurag Singh Thakur

Hon'ble Minister of State for Finance and Corporate Affairs,
Govt. of India
138, North Block 14,
Janpath, New Delhi- 110001

Respected Shri Anurag Singh Thakur ji,

Sub: Covid-19 Crisis and request for Relief to industrial and business establishments – reg

Greetings from FTCCI!

We are very thankful to you for giving us the opportunity to interact with you and bring to your notice the concerns of industry and how government can help and support the industry and trade to come out of this unprecedented crisis we ever faced.

We are grateful for your time and encouraging words and request to give us some time in future too - to give the feedback from ground level assessment -post lockdown.

During the interaction, members have brought out many issues that affects/affecting the industry and we are here by submitting our memorandum, consolidating all the issues that were discussed and suggestions offered to solve the problems for your consideration:

Govt to bear EPFO Contribution: Request amendment of eligibility criteria:

The GOI on the 26th of March has announced Rs 1.70 Lakh Crore relief package under the Pradhan Mantri Garib Kalyan Yojana (PMGKY). Under this scheme, the Central Government has proposed to pay 24% of the monthly wages into EPF accounts for next 3 months. This scheme is a welcome step as it leaves the employer with some finances to tide over the crisis. But the criterion to avail the benefit makes 95% of MSMEs ineligible and provides no relief to them. We request the government to re-consider amending the eligibility criteria as follows:

Present: Wage limit of Rs 15000 / month; Eligible for companies with 90% of employees within Rs 15000 wage limit ; Applicable to organizations up to 100 employees

Proposed: We request that the government not put any restrictions on the eligibility criteria. We fervently appeal to Govt, since all industries would suffer due to COVID- 19, it is not recommended to apply conditions to provide help as it is discriminatory.

The eligibility criteria if reformed as above will help benefit all MSMEs significantly under the PMGKY scheme providing much needed breathing space in terms of cash flow management & partial relief in terms of income protection.

Wages to Workmen to be paid under the Sickness Benefit plan of ESI Act

On the 29th of March, the MHA has issued an order under Disaster Management Act, 2005 requiring payment of full wages to all employees, regular, contractual or migrant workers. The pandemic outbreak has affected all sectors (except essential services to some extent), bringing production and all business activities to a grinding halt and disabling employers from paying salaries to their employees.

Since Covid-19, a national disaster as declared by the GOI has also created a situation akin to sickness wherein the workmen are unable to attend to their duties, we request that the government amend the ESI act to pay the wages of workmen to the extent of 2 month wages or at least for the period of lockdown. The ESI Act permits payment of 70% of average daily wage for non-employment due to sickness and considering the Covid-19 pandemic as sickness; **the payment of wages from ESI Fund is both justified and warranted.**

The above measure will help companies not to divert their precious loan funds for unproductive activities like payment of wages during lockdown but use it for business continuity purposes. Importantly, the jobs of workers remain protected lest the employer resort to retrenchment for lack of finances.

This all important relief measure of the government will not only help avoid the sudden spurt in unemployment after the lockdown but will also ensure that the revival of the economy is not compromised.

ESI Act:

Rajiv Gandhi Shramik Kalyan Yojana, was introduced from 01-04-2015 under which unemployment allowance was allowed to be paid to the workers.

as per the said scheme Unemployment allowance is being paid to Insured Persons who are rendered jobless due to retrenchment, closure of factory/establishment and unemployment allowance equal to 50 per cent of wage for a maximum period of two years is paid during the period of unemployment.

Now, the employees are jobless, a liberalized view can be taken and the said scheme may be extended to all the employees who are covered under ESI act.

In another scheme introduced by this Government namely Atal Bimit Vyakti Kalyan Yojana, the workers will be able to draw 47 per cent of their total contributions towards ESIC after remaining unemployed for at least three months from the date of leaving their previous jobs.

Both the said schemes may be modified to suit the present circumstances and unemployment allowance may be utilized by the Government for doing welfare of the employees/workers during lock down period, rather than putting the entire burden on the employers alone which already going through a slow down.

Introduction of Amnesty Scheme

The central governments can introduce Amnesty scheme under EPF Act and ESI Acts, to reduce the pending litigation and it also helps the employers to lessen their liability in these hard days.

Loan re-construction / scheduling and Moratorium period: Request changes

The RBI on the 27th of March has announced that companies having their term loan dues falling between March 1, 2020 and May 31, 2020 can re-schedule their loans by shifting their loan residual tenor for three months i.e. availing a 3 month moratorium period on the loans sanctioned by Banks / NBFCs subject to interest accruals during the 3 month period.

The above measure while providing no relief to income protection may even accentuate the debt burden particularly so for companies whose term loan expiry is within the next 18 months. This measure provides only a temporary relief of liquidity to the companies.

To ease the burden of debt servicing and to ensure business continuity, we request the government to waive off the interest completely on all business loans during the 3 month moratorium period. We also request the government to consider rescheduling the loan tenor beyond the 3 months moratorium period depending on the how the economy unfolds.

Moratorium on Credit Card Payments:

In addition to our previous submissions on 3 months moratorium on loans' EMI payments, we submit that banks though allowed 3 months deferment of Credit Card payments, they are charging exorbitantly high rate of interest @3.5% per month during the deferment period. We request to reduce the interest to PLR level during the moratorium period.

RBI to impose regulation and compliance of RBI repo rate cuts by the Banks

We are thankful to the RBI for reducing the repo rate by an unprecedented 75 basis points from 5.3% to 4.4%. While the RBI has taken a very accommodative stance to ease the financial stress that the companies are undergoing and will continue to undergo, unfortunately the reductions in the rates are not passed on to the businesses by the banks defeating the very purpose of the policy stance taken by the RBI.

Keeping in view the extraordinary war like circumstances that we are facing and the huge negative impact that businesses would bring on the economy, we request that the government impose strict action for the banks to fall in line and pass on the benefit of reduction in rates to the end consumer. During these times when businesses have to cut expenditure and become efficient to survive, we expect that the banks would also become efficient in their operations and cut interest costs anywhere from 3% to 5% for both the existing and new loans.

It is important that for businesses to keep afloat, survive and then thrive, the cost of liquidity has to bring down.

Clear all MSMEs over dues from the Government

It was proposed by the Hon'ble Finance Minister that all dues from State Govt, Central Govt and PSUs to MSMEs shall be cleared within the next 45 days. We request the government to expedite the same and warrant that all payments due to industries are cleared before the 30th of April.






This essential measure will unfreeze the liquidity flow to industries and reduce the cost of funds in the near short term giving relief for achieving at least some of the planned production rates and income relief.

The Time is Ripe for GST Rates Rationalization

GST rate structure rationalization was on the anvil of the GST council since a long time and now the time is ripe for rationalizing the rates. We appeal the government to categorize goods under 4 rates: Nil, Five, Twelve and Eighteen percent slabs. With no exemptions or compositions and full offset of ITC, the rationalized structure will help revive large employment sectors like construction, infrastructure, auto, ancillaries and logistics.

Compliances and Suggestions relating to Corporate Law:

We request the government of India to ease some of the compliances required by corporate companies such as:

-  For loans taken by borrowers (Corporate cos) during the months of February and March 2020, they have to file the charge creation within 30 days without penalty and extended for another 30 days with penalty. But, due to lockdown, these borrowers could not do the filing within time limit as DSC is required etc. So this may be considered to be extended or remove the penalty clause B.
-  For all MSME companies, MCA may relax the additional fee for delay in filings.
-  Extend the due dates for filing of various returns with MCA.
-  CSR requirements may be deferred or replaced by Social profit concept for service to the society.
-  GOI can issue a GO to banks to fund the MSME companies at reduced rate of interest, otherwise bank management would not take any decision as their pension etc would be effected if the party goes for insolvency or bankruptcy

Incentive for timely payments:

Industry is asking for extension of time limits for various payments, be it statutory payments such as PF and ESI, or Taxes, or EMLs of bank loans etc. But Government needs revenue to fight this COVID 19 related problems and has to meet the expenditure that is unbudgeted. To mobilize the necessary revenues, Government may provide incentive - say rebate of 2% to motivate people to pay in time instead of postponing.

Insolvency and Bankruptcy Law:

This is to bring to your notice that the Insolvency Law Committee Report 2020 specifically recommended for modified threshold limit for MSMEs.

In the same Report Pg. 22, para 2.5 reads as MSMEs has special position and in the interest of MSMEs the committee has agreed that operational creditor should be allowed to have recourse to corporate insolvency resolution process (CIRP) on a minimum default of Rs.5 lakh only.

Hence, we request to include a proviso to amended section 4 of IBC giving the exemption to MSMEs to have recourse of CIRP against large corporate debtor with minimum default of Rs. 5 lakh so that MSME operational creditor has bargaining power to reach out of court settlement with large corporate debtors which was evident in last 3 years since this code is implemented.

Secondly, in IBC section 10.a that is going to be introduced soon – exemption should be provided for operational creditor MSME to take CIRP legal recourse where corporate debtor is a large corporate company. This will facilitate MSMEs to recover operational dues with mechanism of compulsory mediation.

For effective implementation of section 15, 16, and 17 of MSME Act, we request government for speedy disposal of cases of MSME dues and the High Court of the State can designate the Chambers, Institutional Arbitration Centers, power to dispose these recovery cases under supervision of Arbitration council of India after necessary up-gradation of such Arbitration Centers through training and Manual mechanisms.

State Tax Collections in the Pandemic lock down period:

Several regulatory relaxations were announced after the first lock down and time limits re-fixed. These should be further extended with the second lock down till 3rd May. For example the input credit restrictions which are to be accounted in Sept 2020 for the period February to August 2020 should be done away with and at the end of the financial year there should be a total reconciliation without any interest liability for this period.

Secondly in line with the order passed by the Hon'ble Supreme Court on 23rd March extending various time limits for purpose of limitation the State Governments must also be exhorted (in terms of the Pandemic Legislations) to follow this for the assessments pending and completed under the CST Act for the year 2015-16 which were time barring on March 31 and where appeals have to be filed by April 30, 2020. The limitation in all such cases should be extended for at least a month after the lock down is lifted. Otherwise there would be a severe financial liability by way of pre deposit for the assesseees when there are serious limitations on cash flows.

Relief in Energy Bills:

Industry is closed for more than 35 days now and in Telangana the lockdown is extended till May 7th, making total No of lockdown days – 47. In this situation all industries are struggling to meet the expenses irrespective of their size and nature. Due to complete shutdown of all units under non-essential category, every unit-big or small is facing financial crisis and finding it difficult to meet the expenses such as payment of energy bill, water bill, statutory payments, taxes, and wages and salaries to employees.

The government of India may advise the State governments to waive fixed charges for at least two months -April and May 2020, to ease cash constraints and help the units start operations. The power intensive industries such as steel, cement, spinning mills etc are hard hit to pay the bills.

We also suggest that Union Government should come out with a package to DISCOMs as they too are suffering from huge revenue losses.

India as destination for Japanese Investment:

To attract Japanese investments in India, GOI has to particularly implement the labour reforms policy as many Japanese companies who would like to invest in India are in the field of Engineering, Construction Equipment, and Electrical Equipments which are skill and labour intensive. Government has consolidated and brought various Labour Laws into 4 Codes with an objective to simplify them. We request the Hon'ble Minister to ensure that the Labour reforms policy sees the light of the day soon.

Support to unorganised Sector:

Government is aware that India is a land of small traders selling various products through small kirana shops, stand alone shops and textiles and garment shops. The textile sector is hard hit due to lockdown as they fell under non-essential category.

Government must be aware that the summer months is the primary wedding season for most parts of India. Unfortunately because of postponement of weddings, and other social functions, numerous small traders employing less than 10 to 20 employees are facing hardships due to lack of sales, large unsold inventory built up since Feb end, payment of rentals for shops and Godowns. Hence, these small traders are struggling to pay wages to the already marginalised employees.

We request the Govt to support the interests of these small cloth merchants and other traders in terms of liquidity by facilitating loans from banks against their stocks and standing guarantee to a part of those loans. Also request to create a fund to pay 50% of the wages of the employees working in these small retails shops as they are not in a situation to pay their employees' wages and salaries

Support to Real Estate Industry:

The real estate sector caters to more than 300 ancillary industries. It is one amongst the highest employment generator especially for migrant labour, daily wage earners and casual labour.

The focal point around which the sector revolves is the investor/ home buyer. Presently the sentiment of the investor/ buyer is at the lowest. It's important that this sector does well due to its multiplier effect and in kick starting the economy and spur growth.

We request you to extend following fiscal incentives:

To Investor/ Buyer:

- ✚ Presently for the affordable housing segment (up to Rs. 45 Lakh budget and up to a maximum of 90 sq mts carpet area) GST is 1%, Addl tax deduction of Rs. 1.5 Lakh on interest paid is available under section 80EEA.
- ✚ The above incentives may be made applicable to residential units with a maximum area of 180 sq mts and a budget of 1.25 crore as this covers most of the mid segment which is very hard hit due to pay cuts and job insecurities.
- ✚ Banks may also be persuaded to lend at a maximum interest rate of 6%

For the Developers:

- ✚ 80 IB may be reintroduced,
- ✚ ADF facility may be restored as this brings in additional liquidity to the developer and saves interest to the purchaser.
- ✚ GST slab for cement may be brought down from 28% to 18%, Steel from 18 to 12% etc, and GST payable by landowners under JDA's may be abolished.

Support to Gems and Jewellery Industry:

Currently India's gems and jeweller industry contributes about 7% to India's Gross Development Product ("GDP") and about 16% to India's merchandise export. India's gems and jewellery sector is one of the largest in the world, contributing 29% to the global jewellery consumption. The industry employs upwards of 6.5 million skilled and semi-skilled workers across the entire value chain, and it is expected to provide employment opportunities to more than 9.4 million persons by 2022.

With the complete lock down in the country, all events are cancelled and there are no consumers. There is no demand for the precious metal. It has to be appreciated that the spending power of the consumers will also never be the same for quite some time. Being a capital-intensive sector, an economic slowdown will automatically impact the financial condition of the jewellers. Therefore, a considerable time will be required for the industry to recover from the adverse impact being caused by the Covid-19 pandemic.

The gems and jewellery sector is a labour intensive industry and at the bottom of the pyramid lies the artisans, goldsmiths and the on-ground people managing the processes of manufacturing, wholesale or retail. The industry is very keen to protect the labourers and workers and should continue their employment, get their salaries on time.

We request the government to take following steps to mitigate the hardships faced by the industry and protect the livelihood of scores of people depending on this sector:

- ✚ Metal Gold Loan is an important tool which is given to this sector, and it is for 180 days duration. we request Govt. to align this Metal Gold Loan along with the benefit given to the exporters and make it for 365 days instead of 180 days for the time being and extend all the due dates falling for the Metal Gold Loan expiries to 30th September 2020
- ✚ extend a interest subvention scheme of 4% to the sector so that the sector can emerge from the financial distress as it is expected that the negative impact of Covid-19 will extend for a minimum of 6 months and the industry has tough times.
- ✚ Today Retaining work force is the most important task for businesses and the Govt. and to encourage the entire business and trade to retain their work force in times of distress we must apply section 31 (1) of 80GGA to this expense by which businesses will be encouraged to claim 150% of their salary expense and this will be a big incentive for businesses to retain work force in times of distress

Ministry of Corporate Affairs:

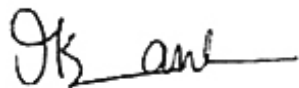
A confusion has been created by the 'Ministry of Corporate Affairs' in their General Circular No. 15 /2020, dated 10-04-2020 in its FAQ that "payment of wages for workers during the lockdown period is a moral responsibility, not a legal obligation and it is a moral/ humanitarian/ contractual obligations of the company.

This opinion is conflicting with the directions with the Ministry of Home Affairs dated 29-03-2020. Hence, it may be clarified.

Sir, these are our observations and recommendations to support the industry, trade and commerce to enable them face these difficult times and protect the employment and livelihood of the people. We submit that all the above said issues may be considered in sympathetic manner and announce suitable policy measures.

We once again thank you for all your support and assure you that we will submit our observations and recommendations from time to time.

Thanking you
Yours sincerely



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Cc: Sri Bandi Sanjay Kumar, Member of Parliament and Telangana State
President of Bharatiya Janata Party