



INDIAN INDUSTRIES ASSOCIATION

AN APEX BODY OF MICRO, SMALL & MEDIUM ENTERPRISES

(IN THE SERVICE OF MSME SINCE 1985)

Ref. No. 4/GOI/0111

26th Mar 2020

To,
Shri Nitin Gadkai
Hon'ble Minister
Ministry of MSME,
Government of India

SUBJECT: REGARDING IMPACT OF COVID-19 ON MSME'S, PRESENT SITUATION, AND SUGGESTED MEASURES FOR THE SURVIVAL OF MSMEs

Sir,

Indian Industries Association (IIA) an apex body of MSME's in North India realizes the emergency situation and top most priority & duty of all of us to protect ourselves and the entire mankind from the Covid-19 epidemic . We on our part have issued advisories to all more than 8000 MSME Members of the association to abide by the Government instructions, rules and regulations as well as special appeal of our Prime Minister to combat the situation.

We would like to appreciate the steps taken by the Government of India so far under the leadership of our dynamic Prime Minister Shri Narendra Modi Ji not only to fight with this epidemic but also for supporting the MSMEs. Government has thoughtfully extended the dates for statutory compliances, payments & filing returns for direct & indirect taxes and so on to 30th.Jun`2020, which is welcome step and we record our appreciation and admiration for this proactive move.

Although, government has placed lockdown for a period of 21 days, up to 14th.April, however, given the candid sharing of concern by the PM during his address, further extensions cannot be ruled out at this stage.

Though IIA have submitted the representations on related issues to Hon'ble Finance Minister, Labour Minister and Commerce & Industry Minister with a copy for information to you , Yet we are submitting the consolidated status & suggestion to you as under for your kind information and necessary action as under. Suggestions marked in ***bold & italics*** pertains to Ministry of MSME , hence it is requested that you may kindly look into these favourably.

PRESENT SITUATION INCLUDING AFFECT ON PRODUCTION, SALES, IMPORTS & EXPORTS:-

- In view of the Lockdown & complete shutdown of Industries in affected districts from 18th March 2020 and now in the entire country from midnight on 24th March, MSME's will be subjected to irreparable loss unless supported by the Central and State Governments.
- MSME s across the country will not be able to carry on with the production activities hence there will be no use of the Electricity and yet they will be required to pay Demand / fixed charges & minimum charges, wages to all the workers & employees without any output, payment of bank loan & interests, statutory compliances & payments. Moreover returns for direct & indirect taxes will have to be filed and so on.



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- Uncertainty looms large due to shutdown of the industries. In case of prolonged shutdown, MSMEs may not be able to recover from the shock even after Covid 19 is controlled, unless the Government extends liberal and urgent relief to MSMEs.

It has to be appreciated that MSMEs are part of long supply chains; their disruption anywhere will hurt this supply chain badly. Due to the LOCKDOWN THE MSMEs ARE SUBJECTED TO FOLLOWING AFFECTS:-

- Functioning and supply chain is disrupted, production, demands & sales are put to a halt.
- Inflow of the funds & revenues are stopped & inventories are locked resulting in acute shortage of working capital for payment of fixed costs such as salaries, power bills , Taxes, EMI's & interest on loans etc.
- Imports of the raw materials, components, equipment's & machinery are restricted or have to be stopped resulting in idling of the capacity and will be difficult to resume the supplies even after the affect of Covid-19 is gone.
- Exports have diminished.
- Manpower is sitting idle. Lay-off of workers is eminent unless of course immediate and drastic measures are taken by the Government. Economic impact of this pandemic doesn't seem limited to a short term, it will take at least a year for things to come back to normal.
- Delayed payments situation from State & Central Government departments / undertakings and Big industries has worsened adding fire to fuel. Even as per a news report, you yourself acknowledged that State & Central Government undertakings and big industries in India owe Rs 5.5 lakh to 6 lakh crores to Small scale industries .
- Government is asking industries to give paid holidays to the employees as well as COVID -19 affected employees without adjustment of their medical & earned leaves.

Above situation has put MSMEs under tremendous pressure and they find it next to impossible to survive, not to talk of making payments for wages / supplies / EMI's / Bank interests /taxes/ recoveries / demands etc.

IIA THEREFORE SUBMITTES FOLLOWING SUGGESTED MEASURES WHICH CENTRAL GOVERNMENT MAY TAKE TO HELP MSMEs TO GET OVER THE SITUATION:-

(A) Flow of Credit to MSME's

- For MSME's the Bank EMI's & interest on TL and CC be deferred for at least six months or more subject to the impact of Covid19.
- MSME's should be allowed additional working capital up to 30% for six months without any additional charges. However in the case of CGTMSE loans it should be up to 50%.
- Considering the unprecedented impact of the pandemic, no enterprise that cannot be called a habitual offender, be declared NPA, post Covid-19 circumstances.
- RBI should issue mandatory instructions to do away with credit rating for next six months, so that MSME's can get finances on lower interest rates.
- ***Government Departments, Government Undertakings and Big Industries should be directed to make payments for supplies made by MSEs to them immediately and in no case the delay in payments should be for more than 45 days as stipulated in the MSMED Act.***
- IIA is thankful to Hon'ble Finance Minister's announcement yesterday for extending Financial year closing till 30th June 2020. However in view of the announcement of Hon'ble Prime Minister in the



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evening for extending Lockdown period for 21 days in the entire country and uncertainty even thereafter , it is requested that the Financial Year closing period may be extended further depending upon the impact of Covid19 or atleast for three more months.

(B) Labour Laws

- Provide a waiver for all PF, ESI and Gratuity payments by employer for six months if the employer does not retrench or remove more than 10% of its workforce.
- The departments should not issue notices for time bound compliances.
- In the case of a lockdown, business owners/industries should not be penalized to pay the salaries. It is common knowledge the industry has already been facing severe stress due to huge downturn in the economy for almost two years. Covid 19 induced order cancellations from foreign buyers/local markets has exacerbated the situation. The decision to pay the salaries without work will kill the MSME permanently. However on humanitarian grounds Industry may be allowed to adjust medical leaves & earned leaves for paid holidays to Covid-19 affected employees only.
- It is also suggested that payment to workers for man days lost due to lockdown or Covid-19 illness should be paid or born by ESIC for those workers who are registered with ESIC. It is after all a medical emergency and ESIC is having surplus of Rs 10000 Crore which is contributed by the workers and their employees only. There cannot be a better utilization of this surplus as it is required in today's situation. For other workers in MSME's not registered in ESIC, Government may provide sustenance allowance + ration as has been done by Govt. of U.P for construction industry workers. OR at least the employers be allowed to pay maximum Rs 1000/- per month instead of full salary and Government may provide ration free of cost to these workers.

(C) Income Tax

- The departments should not issue notices for time bound compliance.
- TDS for payment of salaries and services should be suspended for six months.
- Hon'ble Finance Minister have extended the date for filing Income tax return for the F.Y 2018-19, payment of advance tax, "Vivad se Vishwas scheme, & TDS till 30th June 2020. However in view of the announcement of Hon'ble Prime Minister in the for extending Lockdown period for 21 days (Till 14TH April) in the entire country and uncertainty even thereafter , it is requested that the compliance date may be extended further depending upon the impact of Covid19 or atleast for three more months.
- The government should also give instructions to tax officers to put a temporary hold on the fixation of personal hearing.
- The Government should issue instructions to the adjudicating / appealet authorities to not to pass any order ex party.

(D) GST

- Departments should stop sending further notices and seeking time-bound clarifications. Accounts work cannot be done from home. We can either work in the office and become a threat to everyone or follow the advice of our honorable PM.
- Hon'ble Finance Minister has announced the Waiver of all penalties on late fee or interest in case of delayed discharge on any statutory dues under the GST law as well as due date for tax payers to convert under composition scheme for financial year 2021 upto 30 th June 2020. However in view of the announcement of Hon'ble Prime Minister in the for extending Lockdown period for 21 days (till 14th April) in the entire country and uncertainty even thereafter , it is requested that the



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compliance date may be extended further depending upon the impact of Covid19 or atleast for three more months.

- GST refunds to be further expedited and documentation requirements to be reduced.
- GST Registration cancelation done earlier should be given time for restoration up to 30th June 2020 without any interest / late charges / penalties.
- The government should also give instructions to tax officers to put a temporary hold on the fixation of personal hearing.
- The Government should issue instructions to the adjudicating / appeal authorities to not to pass any order ex party.

(E) Exports

PCFC (packing credit in foreign currency) loan against export order is being taken by the exporters with the agreement with the bank to handover the documents with b/l within committed period but due to lock down industries are closed and shipments are held up. So exporters are not in a position to handover the documents to the bank within committed period.

So, under such circumstances banks should be instructed to not to pressurize the exporters in case they are not able to handover the documents within the time period.

(F) Invocation of Force Majeure Clause

Invocation of Force Majeure Clause for all contractual obligations and no penalties be imposed by State and Central Government agencies for delayed deliveries or completion of the projects. The period of completion of the projects under any MOU signed between the Entrepreneur and State / Central Government undertaking / department be extended by minimum 3 months or further subject to the impact of Covid19.

(G) Electric Energy

Advise all power discoms across the country to waiver / exempt Fixed Charges / Demand Charges / Minimum Charges from their MSME power consumers for the period of Lockdown.

All MSMEs will be under massive cash flow stress, these measures are going to put some cash back in the business and give a lifeline for them to be able to survive .

I hope you will be kind enough to accept our suggestions for the survival of MSMEs in this difficult time for them and take suitable necessary actions urgently.

Thanks & regards

Pankaj Kumar
National President IIA

Copy for kind information and necessary action to :

1. Hon'ble Prime Minister of India, New Delhi.

Pankaj Kumar