



INDIAN INDUSTRIES ASSOCIATION

AN APEX BODY OF MICRO, SMALL & MEDIUM ENTERPRISES

(IN THE SERVICE OF MSME SINCE 1985)

Ref. No. 4/GOI/0110

25th Mar 2020

To,
Shri Santosh Kumar Gangwar
Hon'ble Labour Minister,
Government of India

SUBJECT: REGARDING IMPACT OF COVID-19 ON MSME'S, PRESENT SITUATION, AND SUGGESTED MEASURES RELATED TO LABOUR MINISTRY

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 the leadership of our dynamic Prime Minister Shri Narendra Modi Ji not only to fight with this epidemic but also for supporting the MSMEs. The proactive relief announced by Hon'ble Finance Minister yesterday is a welcome step. Finance Minister have also announced that her Ministry and the Regulators are working on economic package for MSMEs also which will be announced soon.

In the meantime , we are submitting you the IIA's feedback on impact of Covid-19 on MSME's, present situation and suggestions related to your Ministry for kind consideration as under:-

1. 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 yesterday, 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.
- 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.



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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.
- Travel & other restrictions have brought the production, demands & sales to a halt.
- Inflow of the funds & revenues are stopped & inventories are locked resulting in acute shortage of working capital for payment of 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 Minister MSME Govt of India have acknowledged that State & Central Government undertakings and big industries in India owe Rs 5.5 lakh to 6 lakh crores to Small scale industries .
- Income Tax and GST Departments are issuing notices for pending ITR Assessments, pending demands etc saying that they have to meet the revenue targets.
- Government is asking industries to give paid holidays to 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.

2. IIA THEREFORE IS SUGGESTING FOLLOWING MEASURES RELATED TO YOUR MINISTRY FOR YOUR KIND CONSIDERATION:-

- 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



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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.

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.

All MSMEs will be under massive cash flow stress, these measures are going to give a lifeline for them to be able to survive .

I hope you will be kind enough to accept our suggestions and requests for the survival of MSMEs in this time of great difficulty.

Thanks

Pankaj Kumar

National President IIA

Copy for kind information and necessary action to :

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

Pankaj Kumar