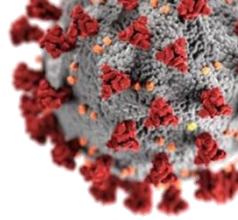


Recommendations for a National Response to the Economic Impact of Covid-19

Knowledge Partner



Messages



As the world deals with containing the Covid-19 pandemic, the global economy is struggling to maintain momentum. The situation has now escalated from supply chain disruptions to complete lockdown in some regions. While the fallout can't be comprehensively gauged, India needs to initiate measures to manage the economic stress that the pandemic would cause across industries.

It is imperative for the private sector to support the Government in funding the management of the pandemic and ensure that assistance is provided to all sections of the society. As always, a crisis brings forth some opportunities and lessons which can support future growth. Covid-19 helps us understand the importance of a robust manufacturing ecosystem to maintain economic stability in a globalised world. We expect that the Covid-19 crisis would change our businesses and society, but remaining calm in the time of crisis can help us plan better and avoid further strain in a difficult situation.



Dr. Niranjan Hiranandani
President, ASSOCHAM

The impact of Covid-19 pandemic is still uncertain as it continues to unfold across the world. India has been impacted by rising spread of the virus across the nation, putting human life at higher risk, due to high density of population. However, the Government's efforts to contain unchecked spread give hope that the impact could be managed over time. So far the industry has been struggling with supply chain disruption and recent shutdowns would create further stress across sectors.

This report aims to analyze the unfolding situation and offer recommendations to deal with the rising uncertainty. As Governments across the world deal with this crisis, India needs to ensure it is ahead of the curve in mitigating further spread. The world stands together to deal with this unprecedented

crisis and we hope that help is provided across all sections of the society and economy.



Deepak Sood
Secretary General, ASSOCHAM

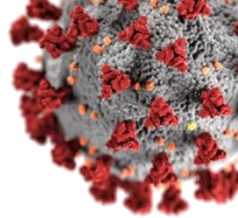
These are trying times for India and the world at large, where economies have been brought to their knees by a novel pandemic. With economic growth expected to take severe and prolonged hit, it is essential for India to plan a coordinated and impactful policy and fiscal response.

With the Indian economy facing sluggishness in the recent past, the impact of the pandemic could have significant bearing on the society and economy. Efforts to contain and mitigate the contagion are underway, but it is critical for us to plan ahead. It is also a crucial time for India to recognize the importance of establishing itself as a manufacturing hub, to not only enhance self reliance, but better serve the global value chains.

While economists and policy makers prepare for a recession, the report outlines a few recommendations for various stakeholders to deal with the aftermath of this pandemic and better prepare for any future health disaster of similar nature.

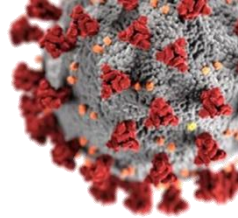


Aarti Harbhajanka
Founder & Managing Director, Primus Partners



Recommendations to allay impact of the Covid-19 pandemic

- 1** Provide **cash support** of INR3-5,000 per month (for 1 to 3 month, depending upon the extent of community spread) for the **most stressed sections** of metros and cities with population more than 10 lakhs: **street vendors, construction workers, auto drivers and temporary workers**. The financial assistance should be extended for 1 to 2 months, depending on the duration of the crisis. This money can be defined to **select end use – towards food and healthcare**. This can be done electronically through the JAN Dhan accounts and use of RuPay Cards
- 2** The Government should provide a tax credit to companies that extend **two-weeks of paid sick leave** to meet the quarantine time frame for any employee and their family. The government can also ask **all Government or Government Funded educational institutions to exempt 2 month of Tuition Fees** for any family which is BPL or who is covered under Ayushman Bharat.
- 3** It should be mandatory for companies across all sectors (in case they employ more than 200 people including through outsourced vendors) to **not sack any employee during March to May**. In most impacted areas, the Government should offer **tax credit equivalent to salary paid beyond 15 days of work from home** for employees across key sectors that are significantly negatively impacted and MSMEs.
- 4** Provide **working capital financial support** to adversely impacted sectors, by providing them **working capital relief**. It is suggested that **companies be given option (Category 1 and 2) of converting between 1 to 2 quarters of interest and principal repayments to Banks and FIs (April to August) be rolled over as loan to be repaid in 1 or 2 quarters post the repayment cycle**. The most adversely impacted industries such as Tourism and Hospitality, Aviation, FMCG and Retail, could be offered these to manage these expenses for two quarters, while sectors with negative-neutral impact could be provided loan for payments for one quarter. Banking sector needs one shot leeway in loan classification due to the above.
- 5** To increase liquidity and increase consumer confidence, the Government of India should provide a **payroll tax holiday** for a quarter to help support demand in these stressful times. This can be done for Category 1 sectors and only in case no firing is resorted to. **Extending such relief can be targeted to workers within a certain tax bracket to support low-mid income groups could also be considered**.



Recommendations to allay impact of the Covid-19 pandemic (contd.)

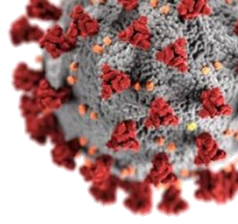
6 The Government could also give a **three-month extension to individuals, within a certain income tax bracket, to file year-end taxes.** Also, the Government should allow the **roll-over of GST payments for 1-2 quarters** (based on the extent of the disruption) to be paid in the next FY. This stimulus would allow deferred tax funds to be used to boost demand for individuals and for working capital and ensure that make payroll payments are made in time, despite supply chains taking a hit.

7 **MSMEs** should be provided **concessional working capital loan**, equivalent to **one to three month's (based upon the extent of disruption) average turnover of last year.** To support them, when the supply chains have been impacted globally, MSMEs should also be provided **concessional finance at a rate of 5%** for three months through SIDBI. The interest payment for such financing can be adjusted over the next three years as part of GST.

8 The government should **waive-off utility costs for the urban poor** for three months, to reduce fiscal pressures. Similarly, **MSMEs should be exempted from electricity duties** for a period of three months. Taxes levied by local / state government may be exempted for 3 months for specific sectors.

9 The government along with the private sector create an emergency framework to **manufacture low-cost sanitizers and masks** in large quantity. The manufacturing should also be extended to testing kits and protective gear, to support healthcare professionals. Additionally, manufacturing low-cost ventilators, digital thermometer and critical vaccines will help mitigate large scale loss of life in the country.

10 **CSR spending** by corporate organisations should be directed towards a response fund dedicated for the management of the pandemic. The financial burden on the exchequer to contain and mitigate the spread of Covid-19 across the densely populated country will need innovative sources of funds to support the post crisis ecosystem.



Recommendations to allay impact of the Covid-19 pandemic (contd.)

11 The Government should create a **Covid-19 response fund**, wherein **private sector and citizens can make contributions**, which are leveraged towards managing the pandemic and its aftermath. The Government could help individuals and companies claim **tax rebate** for such contributions. This fund can help support widespread testing, and other waivers to various sections of the society and industry.

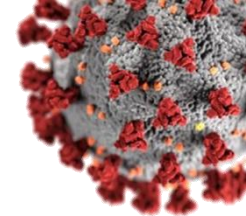
12 Since Indian oil companies are garnering high profits due to lowering global prices of crude, the **public-sector oil companies** should be mandated to **contribute 50% of this year's profits** towards Covid-19 response fund dedicated towards the management of the pandemic.

13 For the long term, the Indian Government should create a holistic framework to manage such health crisis. A **disaster management framework** focused on managing **disease outbreak** will become essential in the large and densely populated country. Given the widespread panic a health concerns creates, the framework should focus on creating a robust channel to provide information and create awareness. In light of rising concerns and incidences of pandemics, the Government should ensure **compulsory disaster response training program** in public and private organisations and education institutes.

14 While globalisation has brought enabled robust supply chains, it is critical for industries to assess over dependence on a single market. Sectors who depend on a single market for raw materials, spares and finished products would need to **revaluate their procurement strategies**. The Government should also focus on creating a policy to empower domestic trade and industry to **maintain continuity in the supply chain**.

15 Many businesses can provide business continuity by leveraging the work from home option. However, there are many sectors where it is not feasible. Given the urgency of the situation, to safeguard human life and slowing the spread of the contagion, non-essential industries can implement 14 days of shutdown for now, while continuing to pay salaries. They can at a later stage, extend working days and **recover time lost during Sundays**.

Covid-19 - a global natural, health and economic disaster in the making



The world is now struggling with the global outbreak of novel Coronavirus (Covid-19), which was first reported from Wuhan, China, on 31 December 2019. The outbreak was declared a pandemic by the World Health Organization, having spread to ~157,000 people in 152 countries, with ~5,800 deaths (as on 15th March) ¹, with the likelihood of spreading to all countries on the globe.

The novelty of the virus also extends to its impact on the way of life and business across the globe. Being deemed more than a public health crisis, this outbreak is expected to impact all sectors of the economy.

An early response from various stakeholders to contain and mitigate the virus from spreading further has focused on restricting large assembly (schools, events, offices, etc.) and widespread testing. Governments and corporate organisations have also encouraged people to adopt self governance in maintaining social distance, cleanliness and awareness.

Government	Public awareness	Widespread testing	Medical assistance and quarantine facilities
	Cancelling events (conferences, sports, concerts, etc.)	Shutting down educational institutions	Travel restrictions
Corporate Organisations	Stringent health and safety measures across supply chain	Lesser working hours or shutting down offices, factories, stores, etc.	Remote working policies

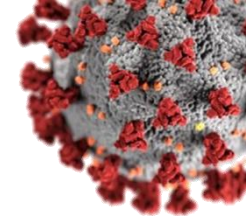
The pandemic is still unraveling and its human, societal and economic impact can't be gauged with accuracy. However the global lockdown has led to global financial markets reacting strongly to the rapid spread of the virus, global supply chains getting with key markets shutting down, consumer confidence is falling in uncertain times.

Covid-19 has brought forth global vulnerability to the fear of illness, the economic consequences of which are yet to be felt in totality. At the beginning factory disruptions in China led to supply shortages of pharmaceuticals, electronics and other manufactured goods across the world. The rising spread across Europe, US and Asia lead to panic buying and consequent shortages of food and other essential items, especially masks and hand sanitizers.

Stock markets worldwide have witnessed largest single-week declines since the 2008 financial crisis. The economic contagion is expected to go further, as the pandemic comes at a time, when the global economy has already been stressed. Even as China is expected to start recovery over the next two quarters, the unprecedented spread across US and Europe has changed the risk from spillover from China to a long drawn global recession.

¹ WorldoMeter, 15th March 2020

Economic disruption by Covid-19 bringing back memories of 2008



The pandemic status has led coronavirus to make 'V-shaped' recovery less likely, wherein the economy could have rebounded at a faster pace, after facing a temporary disruption to supply chains. For such recovery, the outbreak would have been largely restricted to China and control within China would have led to production being ramped up, and the global economy would have recovered fairly quickly.

However, the global spread of Covid-19 has changed the circumstances. While the impact can't be accurately estimated, with consumer

spending expected to take a hit, delayed business investments and the overall slowdown in economic activity due to the containment lockdown, the economy is expected to witness a deep U-shaped recession.

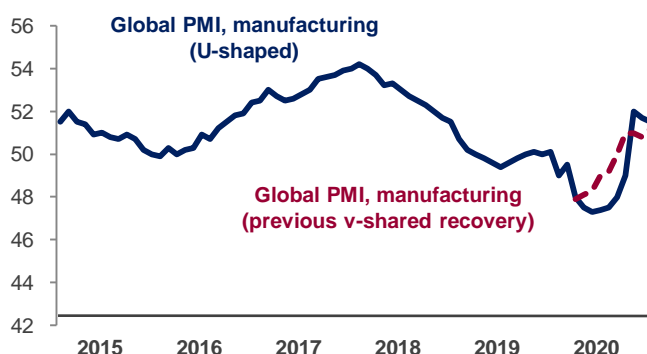
If the pandemic is contained in the next quarter, it will take two to three quarters before factories can operate at capacity, and the global supply chain starts to get back to normalcy. With more people encouraged to work remotely and businesses shutting stores or plying lesser hours, the economy is expected to witness a fall in consumer confidence and spending. This, along with the rising pressure of job losses for temporary workers and limited social security in the country, India's recovery from the pandemic could be a long path.

However, if the virus spreads more pervasively, and there is a need for tighter restrictions of movement of good and people and many more shutdowns across India and the globe, the economy could witness a prolonged recession. In such a scenario, the recovery would be 'L-shaped', where the economy is stuck in recession throughout the year, taking the country longer to bounce back. Avoiding this scenario is the topmost priority of governments across the world and in India, which has been struggling with a sluggish economic environment.

The eventual recovery from this pandemic in India is dependant on the extent of the spread within the country and across global markets. Additionally, government intervention across all markets would define the rate of recovery.

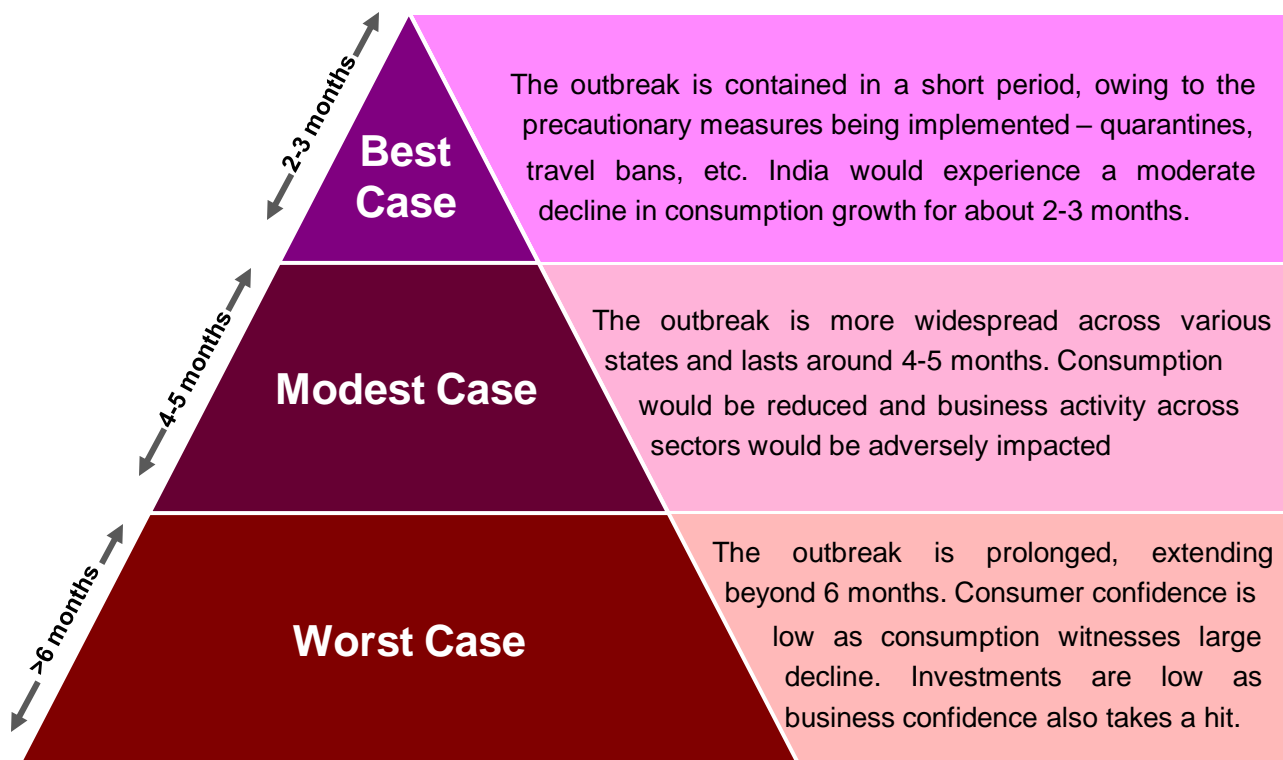
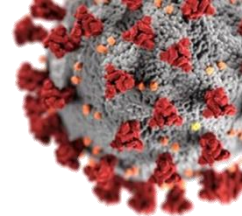
Though the Indian Government is currently focused on managing the supply-side disruption, it is critical to also start analysing the impact that weak demand will have on the overall outlook of the Indian economy. Demand across several sectors has been sluggish over the last few months and with people encouraged to restrict travel, stay away from cinemas, malls, restaurants, and stay more at home, the demand across various sectors could be hurt deeply.

Global economic setback deeper after the spread of the virus



Source: FX Street

This year's growth has taken a hit, but the longevity of the crisis could slow the economy further

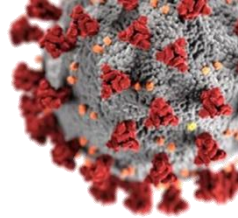


The 2020 GDP growth forecast for India has been lowered from 5.7% to 5.3%, due to the uncertainty of the pandemic .

With the pandemic escalating, India is likely to experience increased job uncertainty and wage cuts, lowering income growth for a while. This would also lead to lowered consumption, keeping recovery at bay in the short-term.

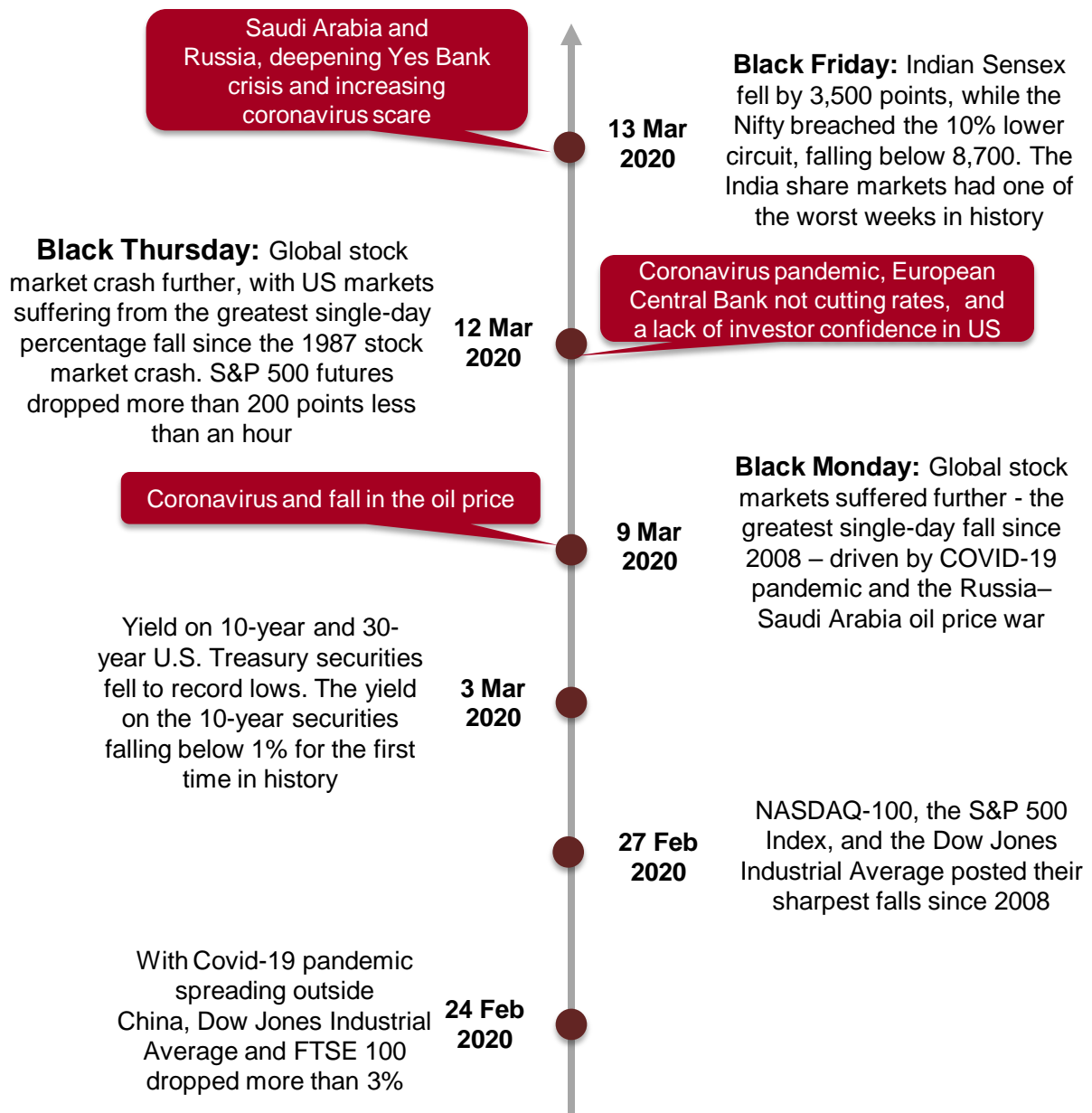
With the global service sectors and value chains being adversely impacted, global growth is expected to take a hit till Q2, and as the virus spread and related concerns abating and recover starting in H2.

Coronavirus pandemic has triggered fears of a global recession, leading FPIs to withdraw ~INR37,900 crores from the Indian markets during 2-13 March 2020. as the contagion spreads further, foreign flows into emerging markets such as India would be impacted.



A plunging stock market is widening the shadow of recession

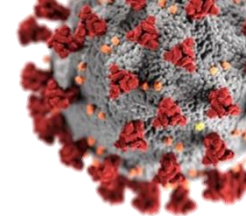
Despite Global Governments announcing liquidity measures and stimulus packages to manage the Covid-19 pandemic, global stock markets crashed, ending a year-long bull run, with panic selling impacting most asset class. This resulted in wiping out ~US\$14 trillion from world stocks in a month.



The big difference between 2008 and 2020 is breadth

2008 financial crisis began with financial services companies and insurers, leading to bailouts and structural fixes aimed at the Wall Street

2020 stock market crashes are hitting the entire economy, not just impacting the Fortune 500, but also mom-and-pop businesses



Despite stock market crashes, there is a ray of hope for India Inc

Since the financial crisis of 2008, many countries and global companies have been witnessing a steady rise in debt. With the looming recession owing to the Covid-19 pandemic, the high debt scenario can intensify the financial pressures on the economies and contribute to the meltdown in financial markets. According to the Institute of International Finance, corporate debt among non-banks had increased from US\$48 trillion in 2009 to US\$75 trillion at the end of 2019.

India's recent economic sluggishness, coupled with the high NPA stress in its financial ecosystem, would be vulnerable to the impact of the pandemic. The disruption in the supply chain, limited access to raw material, shutting down of factories and unavailability of the full strength of employees could lead Indian companies towards payment defaults. Companies in the energy, hospitality, electronics and auto sectors are expected to be worst hit, triggering a downgrade of ratings and increasing defaults.

Global investors have been in a risk-off mode since the Covid-19 outbreak was deemed a pandemic, resulting in elevated benchmark bond yields in emerging markets. India too has witnessed a steady benchmark yield, with selloff by foreign investors and concerns over a slowdown in the domestic economy increasing.

The carnage of the stock market and falling oil prices have made investors increasingly anxious about corporate debt. There is a rise in demand for perpetual bonds of large banks, either run by the state or backed by sound financials, as they now yield about 160-200 basis points more than conventional debt with fixed maturities.

India expects the BEER ratio - a metric used to evaluate the relationship between bond yields and earnings yields - to offer comfort to its stock market investors.

BEER ratio has fallen below 1, indicating that an undervaluation of the stock market. The BEER ratio stood at 0.94 when India's 10-year bond yield reached 6.13 per cent, and the one-year forward Nifty50 PE stood at 15.4.

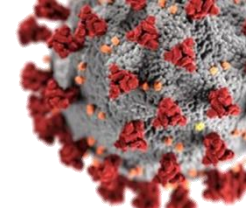
Dates in 2020	10Y Yield (%)		
	India	US	Japan
17-Feb	6.39	1.58	-0.040
20-Feb	6.42	1.52	-0.045
25-Feb	6.33	1.35	-0.105
28-Feb	6.37	1.15	-0.155
3-Mar	6.34	1.13	-0.115

There is an opportunity for Indian Inc at the time of this crisis, to leverage the **lost cost of debt**, by about 50-100 basis points, as most global markets experience lower bond yields. The US 10-year treasury notes at less than 1% from nearly 3.25% in November 2018, and paucity of Chinese debt issuances due to coronavirus, the yields have turned hugely attractive. Various

Opportunity

Indian players have leveraged funding from international markets, such as Network i2i (US\$250 million), India Infoline Finance (US\$400 million), Adani Electricity Mumbai (US\$1 billion), etc.

While the domestic market faces increased pressures and becomes more risk averse, the overseas borrowings have been on a rise, with more expected in the future. In this calendar year, Indian companies have raised ~US\$7.15 billion debt overseas.

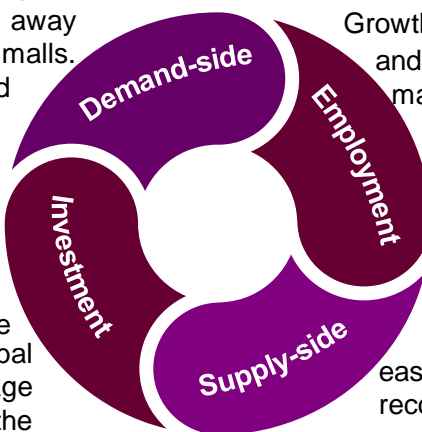


Economic activity will be affected at various levels owing to Covid-19

India expects to witness a sharp though temporary decline in domestic consumption. The service sector would likely suffer for a while, especially owing to the behavioral and policy changes, as more people would prefer staying away from cinemas, restaurants, hotels and malls. Travel restrictions would impact air and rail traffic.

If the spread of the contagion is not contained, the investment activity in India will also take a hit, as the outbreak would impact views on future business activity. Rising global uncertainty and priorities to leverage existing capacities would keep the investment outlook subdued. To mitigate the adverse impact on exports, it is crucial for the Indian players to continue investing and building capabilities, especially in the infrastructure and manufacturing space.

Employment, especially in urban areas is going to be significantly impacted, especially temporary workers. Increased job uncertainty and reduced wages would lead to lower income Growth. With investment plans slowing and funds being redirected towards the managing crisis, job creation would take a back seat.



It would also take India a few months before the supply side pressures are eased, as China and other markets recover from the aftermath of the pandemic. Supply-side disruptions to production and trade have impacted global value chains and India has not been immune to them either. It would be a few quarters before production value chains come back to normal levels.

Travel and hospitality industry are impacted by travel restrictions. With the tourism industry taking a hit, India is expected to witness significant layoffs in the sector, which employs various temporary workers.

IT services and BPO sector faces business growth concerns as travel, hospitality and aviation facing significant decline, they would experience a reduced growth in IT spending. The risk of leak of sensitive information and data thefts is leading to business continuity concerns.

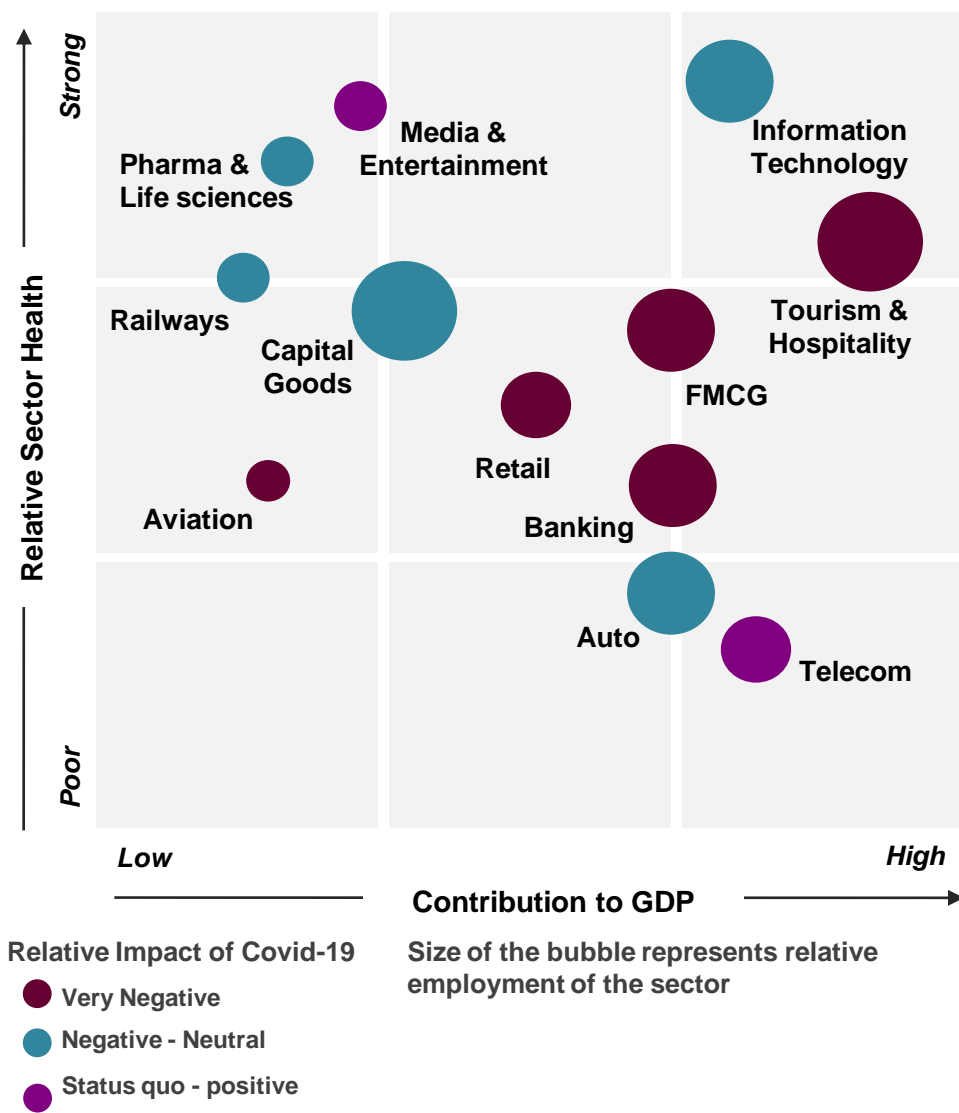
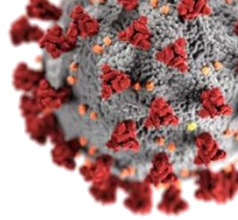
The stressed auto sector would experience reduced production, as they struggle with shortage of materials and implement reduced shifts for safety measures. The already reduced demand would be further hit as consumer confidence would be lower due to uncertainty.

The Indian pharma sector is highly dependent on China for raw materials and the on-going pandemic has created a gap in the global supply chain, along with restrictions on movement of goods. Additionally, exports of 26 active pharmaceutical ingredients and formulations have been restricted by the government.

Consumer electronics companies are struggling with lower supplies of components and higher shipping costs, due to high density spread in China. Prices of various white-goods are expected to rise, owing to lower production and recent rise in import duty.

India's solar energy sector is dependent on China for 80% of solar modules and is struggling with a halted supply chain. Many players are declaring force majeure, using the "act of God" clause to free them from contractual obligations.

The pandemic impacts almost every sector differently, with an opportunity for some, albeit very few



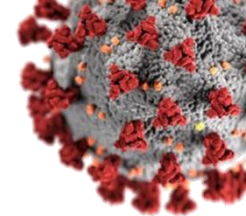
While, at one hand India has a relative short window to avoid community spread of the contagion from increasing exponentially. At the same time, the timeframe to implement a coordinated response to manage the economic impact of the Covid-19 pandemic is short and now.

It is **essential for the Government to introduce a series of holistic measures in one-go**. We don't believe, a piecemeal, select sector approach will be able to address the economic contagion impact of the this global disaster.

In fact, a piece-meal approach will be detrimental in encouraging businesses to adopt various precautionary measures which would slow business activity in these stressed times.

To deal with a pandemic such as Covid-19, the Government and private sector would have to **look beyond the cost and resource-intensiveness of required support**. The impact of such a crisis could be much worse if the spread of the virus is not slowed.

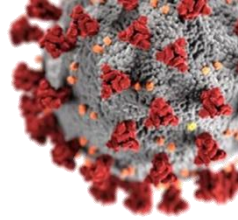
Summary Table of Recommendations to support sectors and society segments



	Category 1	Category 2	Category 3		
Recommendations applicable	Relative impact: very negative	Relative impact: negative to neutral	Relative impact: status quo to positive	MSMEs	Urban poor*
Direct cash support					✓
Four week of paid sick leave	✓	✓	✓	✓	
No job loss for work from home of employees	✓	✓	✓	✓	
Progressive Financial Relief to make interest and principle payments	✓	✓			
Payroll tax holiday for a quarter				✓	✓
Three-month extension for filing taxes (GST and Income tax)	✓	✓	✓	✓	✓
Concessional Working capital loan				✓	
CSR Restructuring	✓	✓	✓	✓	
Waive-off utility costs – electricity, water, etc.				✓	
Manufacture low-cost sanitizers and masks				✓	
Covid-19 response fund, providing tax rebate	✓	✓	✓	✓	
Indian public-sector oil companies to contribute 50% of this year's profits			✓		

* Street Vendor, Temporary Worker, Construction worker, Autorickshaw drivers, self employed drivers, etc.

Recommendations to allay impact of the Covid-19 pandemic



Governments across the world, supported by the private sector are working towards containing the spread of Covid-19. However, even as the pandemic unfolds in the country, it is time for the Government of India to start planning a response to the spread and its socio-economic impact. The recent stress being faced by the Indian economy would be extended further and while the depth of impact is uncertain, many proactive steps should be initiated to fasten recovery and create a holistic framework to tackle such events.

Corona Response Initiative



RECOMMENDATIONS

Health disaster management

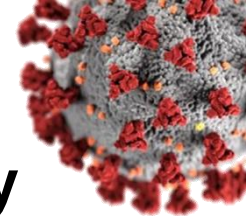
— Long term →

While the efforts of the Indian Government has been swift, containing the spread, there is a crucial need to create a **holistic framework** to manage such events in the future. A disaster management framework focused on **managing disease outbreak** will become essential in the large and densely populated country. So far the country's National Disaster Management Authority has not been at the forefront of this outbreak.

Given the widespread panic a health concerns creates, the framework should focus on creating a robust **channel to provide information and create awareness**. In light of rising concerns and incidences of pandemics, the Government should ensure compulsory disaster response training program in public and private organisations and education institutes.

Also, the Government should enable **timely declaration of a health disaster** on case of emergencies, as such declarations allow officials at the federal, state, and local levels to mobilize and activate various measures to respond to a crisis situation.

Supporting the most impacted segments of population and industry



Cash support for urban poor

— Short term →

While Covid-19 has been a leveler, affecting people irrespective of wealth and social status, the economic impact of the aftermath would be most stressful for the urban poor. To control the economic impact of the pandemic and mitigate uncontrolled unemployment, the Indian Government could provide **cash support of INR3-5,000 per month** (for 1 to 3 month, depending upon the extent of community spread) for the most stressed sections of metros and cities with population more than 10 lakh: street vendors, construction workers, auto drivers and temporary workers. The financial assistance should be extended for 1 to 2 months, depending on the duration of the crisis. This money can be defined to select end use – towards food and healthcare. This can be done electronically through the JAN Dhan accounts and use of RuPay Cards

Such a model could be **based on the PM Kissan model**, where a minimal amount would help the bottom of the pyramid sail through these difficult and uncertain economic times.

— Short term →

Paid sick leave

Access to paid sick leave is not uniform in India and is stark for people who are temp workers or consultants working as part of the gig-economy. Even in large public and private organisations the number of paid sick leaves might not be enough to manage the recovery period for patients.

Workers in low-wage services would be the most vulnerable segment to the economic fallout from this crisis. The Government should provide a **tax credit to companies that extend two-weeks of paid sick leave** to meet the quarantine time frame for any employee and their family. The government can also ask all Government or Government Funded educational institutions to **exempt 2 month of Tuition Fees for any family which is BPL or who is covered under Ayushman Bharat.**

Job safety

— Short term →

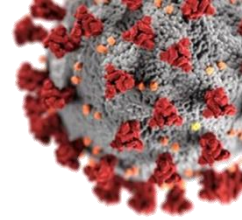
It should be mandatory for companies across all sectors (in case they employ more than 200 people including through outsourced vendors) to **not sack any employee during March to May 2020.** In most impacted areas, the Government should offer **tax credit equivalent to salary paid beyond 15 days** of work from home for employees across key sectors that are significantly negatively impacted and MSMEs.

— Short term →

Utility waive-off

The government should **waive-off utility costs for the urban poor for three months**, to reduce fiscal pressures. Similarly, **MSMEs should be exempted from electricity duties** for a period of three months. Taxes levied by local / state government may be exempted for 3 months for specific sectors.

Supporting the industry through tough times



— Short-mid term →

Working capital support

Provide working capital financial support to adversely impacted sectors, by providing them **working capital relief**. It is suggested that companies be given option (Category 1 and 2) of **converting between 1 to 2 quarters of interest and principal repayments to Banks and FIs (April to August) be rolled over as loan to be repaid in 1 or 2 quarters post the repayment cycle**. The most adversely impacted industries such as Tourism and Hospitality, Aviation, FMCG and Retail, could be offered these to manage these expenses for two quarters, while **sectors with negative-neutral impact could be provided loan for payments for one quarter**. Banking sector needs one shot leeway in loan classification due to the above.

Industry support

— Mid-long term →

While the outbreak has impacted most industries, the **services sector** is worse hit than the others and would need direct support from the government to ensure long term viability. Aviation, tourism and hospitality sectors would need support to manage the period of global shutdowns and limited travel. Provide financial support to adversely impacted sectors, by providing them **loans to manage repayments of interest and principle**. The most adversely impacted industries such as Tourism and Hospitality, Aviation, FMCG, Banking, and Retail, could be offered a loan to manage these expenses for two quarters, while sectors with negative-neutral impact could be provided loan for payments for one quarter.

— Mid-long term →

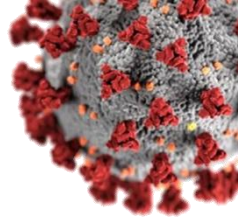
Financial support for MSME

While it is too early to assess the impact of the Covid-19 outbreak on the Make in India initiative, the MSME sector, is likely to be significantly hurt due to the outbreak. The segment has already raised concerns with the Indian Government regarding trade disruptions impacting their business cycle. Extending a **grace period for payment of utility, GST and other statutory payments by MSMEs**, without impacting their credit history, would provide them a financial cushion to sail through this troubled time.

The Government should introduce a framework wherein **banks allow flexibility on repayments owing to supply delays**. Relaxing lending norms would help avoid a financial catastrophe and further stress on business sentiment, since the pandemic could lead to higher incidence of NPAs.

MSMEs should be provided **concessional working capital loan**, equivalent to one to three month's (based upon the extent of disruption) average turnover of last year. To support them, when the supply chains have been impacted globally, MSMEs should also be provided **concessional finance at a rate of 5%** for three months through SIDBI. The interest payment for such financing can be adjusted over the next three years as part of GST.

Supporting the industry through tough times



— **Short term** →

Payroll tax holiday

The Government of India should provide a **payroll tax holiday for a quarter** to help support demand in these stressful times. This can be done for **Category 1 sectors** and only in case no firing is resorted to. While such a step is likely to add to the federal burden, it would provide the necessary stimulus to boost consumer demand. Extending such relief can be **targeted to workers within a certain tax bracket** to support low-mid income groups.

The downside of such a benefit would be that it would not provide aid to the workers below the taxable income strata, workers of the gig-economy and the unemployed.

Deferring tax deadlines

— **Short term** →

The Government could also give a **three-month extension to individuals**, within a certain income tax bracket, to file year-end taxes. Also, the Government should allow the **roll-over of GST payments for 1-2 quarters** (based on the extent of the disruption) to be paid in the next FY. This stimulus would allow deferred tax funds to be used to boost demand for individuals and for working capital and ensure that make payroll payments are made in time, despite supply chains taking a hit.

— **Mid-long term** →

Strengthening the supply chain

India imports ~18% of its merchandise from China and given the closure of the latter, the worst affected industries include electronics, consumer durables, auto components and pharma. While globalisation has brought enabled robust supply chains, it is critical for industries to assess over dependence on a single market. Sectors who depend on China for raw materials, spares and finished products would need to reevaluate their procurement strategies. The Government should also focus on building a policy to **empower domestic trade and industry to maintain the supply chain**.

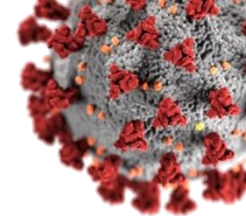
Framework to recover work from home losses

— **Mid-long term** →

Most companies are voluntarily encouraging employees to work from home, before an official mandate is issued. While many businesses can provide business continuity leveraging the work from home option, there are many sectors where it is not feasible. However, given the urgency of the situation to safeguard human life and slowing the spread of the contagion, non-essential industries can implement **14 days of shutdown** for now, while continuing to pay salaries. They can at a later stage, extend working days and **recover time lost during Sundays**.

Timing will be crucial when implementing this measure, as the sooner people are able to restrict proximity, more effective can we control the spread, especially since the window of containing the spread is short and we may not get this opportunity again .

Supporting the Government with funding and essential materials



Restructuring CSR budgets

— Mid-long term →

The Government should **encourage CSR spending** by corporate organisations to be directed towards the **response fund dedicated for the management of this crises**. The financial burden on the exchequer to contain and mitigate the spread of Covid-19 across the densely populated country will need high investments. Additionally, financial support will have to be extended to various segments of the society and business to deal with the aftermath of the pandemic. Since this is an unprecedented disaster, the innovative sources of funds can support the rebuilding efforts undertaken by the Government and private sector.

— Mid-long term →

Covid-19 response fund

The Government should create a **Covid-19 response fund**, wherein **private sector and citizens can make contributions**, which are leveraged towards managing the pandemic and its aftermath. The Government could help individuals and companies claim tax rebate for such contributions. These efforts would provide the government with fiscal ease to undertake large scale testing and medical support in the long term, along with ensuring that support is provided across all section of the society. This special fund could also be used as a **platform to house any international or private aid** needed to manage the pandemic. It is time for the country to come together in this hour of need and support the efforts of the Government.

Oil PSUs contributions

— Mid-long term →

Since Indian oil companies are garnering high profits due to lowering global prices of crude, the public-sector oil companies should be mandated to **contribute 50% of this year's profits** towards Covid-19 response fund dedicated towards the management of the pandemic.

Support low-cost manufacturing of essentials

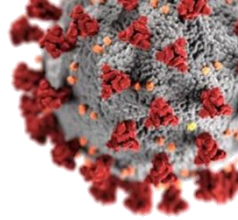
— Short-mid term →

The government along with the private sector create an emergency framework to **manufacture low-cost sanitizers and masks** in large quantity. The manufacturing should also be extended to testing kits and protective gear, to support healthcare professionals. This endeavour can be taken up on a no-profit basis, to support the country in this hour of need.

Additionally, manufacturing **low-cost ventilators, digital thermometer and critical vaccines** will help mitigate large scale loss of life in the country. Supporting all regions of India equitably is of prime importance, hence open sourcing of such manufacturing would ensure timely availability.

This is also the time to **encourage innovation** for non-contact thermometers and other low-cost products that can be leveraged by healthcare professionals.

About ASSOCHAM



ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. Having in its fold more than 250 Chambers and Trade Associations, and serving more than 4,50,000 members from all over India. It has witnessed upswings as well as upheavals of Indian Economy, and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country.

Our legacy has helped build a strong foundation for future endeavors wherein we serve as the Knowledge Chamber for the industry and become the conduit between them and the Government to foster development of a New India. Seen as a proactive and forward looking institution, ASSOCHAM is fully equipped to meet the aspirations of Corporate India in the new world of business.

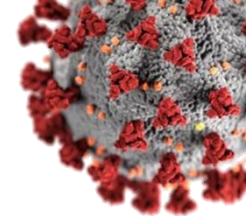
ASSOCHAM has emerged as the fountainhead of Knowledge for Indian industry, which is all set to redefine the dynamics of growth and development in the technology driven cyber age of 'Knowledge Based Economy'. We aim to empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the technology-driven global market and helps them upscale, align and emerge as formidable player in respective business segments.

Aligned with the vision of creating a New India, ASSOCHAM works as a conduit between the industry and the Government. ASSOCHAM is seen as a forceful, proactive, forward looking institution equipping itself to meet the aspirations of corporate India in the new world of business. ASSOCHAM is working towards creating a conducive environment of India business to compete globally.

As a representative of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic, industrial and social development.

ASSOCHAM derives its strength from its Promoter Chambers and other Industry/Regional Chambers/Associations spread all over the country.

About Primus Partners



Primus Partners has been set up to partner with clients in ‘navigating’ India, by experts with decades of experience in doing so for large global firms. Set up on the principle of ‘Idea Realization’, it brings to bear ‘experience in action’.

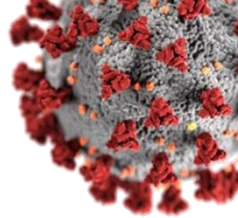
‘Idea Realization’— a unique approach to examine futuristic ideas required for the growth of an organization or a sector or geography, from the perspective of assured on ground implementability.

India is and will continue to be a complex opportunity. Private and Public sector need trusted advisory partners in order to tap into this opportunity. Primus Partners is your go-to trusted Advisory for both public and private sector organizations involved intricately with nation building, and the creation and growth of robust corporations as engines of progress.

Our core strength comes from our founding partners, who are goal-oriented, with extensive hands-on experience and subject-matter expertise, which is well recognized in the industry. Our core founders form a diverse cohort of leaders from both genders with experience across industries (Public Sector, Healthcare, Transport, Education, etc), and with varied specialization (engineers, lawyers, tax professionals, management, etc).

Primus Partners brings experience of working in more than 30 countries with private and public sector, including working with Government of India, building and leading large consulting teams at the leadership level, and creating one of the largest public sector consulting practice in India. They also represent 200 person years of experience in leading global and Indian consulting firms and the public sector.

The founding team is supported by a distinguished advisory board that includes experts with leadership experience across government, large corporate and notable civil society organisations.



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