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# Tackling the Pandemic – COVID-19

## Suggestions for Reviving the Economy

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Public Affairs Forum of India

April '2020

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Report By  
Public Affairs Forum of India (PAFI)

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## INTRODUCTION

### **About Public Affairs Forum of India (PAFI)**

**The Public Affairs Forum of India (PAFI) is a non-partisan Forum comprising of organizations and individuals working in the field of Public & Corporate Affairs. PAFI is dedicated to raise and maintain standards of practice in public affairs and to enable the Industry to attain recognition and credibility.**

Since its inception in 2008, PAFI ([www.pafi.in](http://www.pafi.in)) has been actively promoting public affairs as a profession and providing regular interactions and opportunities to exchange views and share experience. It is the belief of PAFI that public affairs plays a significant role in organizations as well as the development of India's economy. The objective of PAFI is to provide knowledge and context to aid an informed decision-making on policy and policy making. PAFI is at the forefront of driving ethical and transparent dialogue amongst stakeholders and serves as a professional resource for Public Affairs practitioners.

PAFI serves as a professional resource for the Public Affairs and Corporate Affairs professionals and provides members with the platform and opportunity to exchange information, share their knowledge and experiences in engaging with external stakeholders like the government, media, industry associations, multilateral agencies and think tanks. It enables them to advance and develop the field of public affairs and provides tools and resources that enable members to achieve their business and professional goals in an ethical manner.

COVID-19 has impacted economies across the globe. The pandemic most analysts and institutions that track the economy believe, will leave a trail of low growth and recession across continents. The Public Affairs Forum of India (PAFI) conducted a survey across its membership to understand the issues that hurt businesses and the possible strategy to fight a slowdown in the economy. The document is divided into two sections. First, the details of issues faced by industry, and second, the possible solutions suggested by industry to tackle those issues.

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## **SECTION I: ISSUES FACED BY PAFI MEMBERS**

### **A. LOGISTICS ISSUES**

#### **1. IT&ES Sector**

- ❖ Inter-state movements of workers and services continue to be a major concern
- ❖ Facilitation of vehicle movement (Intercity/state) which are required to transport employees

### **B. OPERATIONAL ISSUES**

#### **1. Cement/Construction Sector**

- ❖ Availability of Labour (Non-essential Sector)
- ❖ Availability of market opportunities as down-stream industry are also affected

#### **2. IT&ES Sector**

- ❖ As lockdowns get extended, in the interest of social distancing, companies may still want to offer work from home for an extended duration.

#### **3. Consultancy Services Sector**

- ❖ Several clients are cutting down on their programmes and therefore putting contracts on hold for 2-6 months.
- ❖ Many clients, like the travel sector, have prematurely ended the contract completely.

#### **4. Chemical Sector**

- ❖ Not all production units are allowed to operate

### **C. FINANCIAL AND MONETARY POLICY ISSUES**

#### **1. Cement/Construction Sector**

- ❖ Managing liquidity for business operations
- ❖ No immediate cash flow expected post lock-down
- ❖ Working capital issue
- ❖ New Investments to be promoted

#### **2. Hospitality Services Sector**

- ❖ Severe negative impact due to closures/lockdown because of very high fixed costs
- ❖ Payment of wages

#### **3. Financial Services Sector**

- ❖ Low-income recipients and those living in remote areas might not be familiar or comfortable with using a digital payment system. This is especially a challenge for social cash transfer programs
- ❖ Micro, small and medium enterprises MSMEs are facing huge threat amid economic slowdown and demand contraction.

#### **4. Consultancy Services Sector**

- ❖ Many clients have cash flow issues and are asking for more time to deliver on their financial commitments

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5. Chemical Sector

- ❖ Cash flow: With no sales for the past 20 days, dealers are not paying the dues to their respective Cos. With no working capital, companies are not able to give their vendors and suppliers the dues. Complete jeopardy of the upstream supply chain. Cash flows are an issue as companies need to make payment to their vendor as per the due dates which are falling due in April and May with no collections. Hence difficulty in meeting the obligations on due date

6. Information and Analytics

- ❖ Govt's intention to ensure online education at a time when academic institutions remain closed, is handicapped by lack of adequate funding available to govt colleges, universities, and institutions to subscribe to world class global, credible, updated, peer-reviewed content. Therefore, despite the right intentions, the Universities, colleges and other institutions are not being able to pay for their subscriptions to the necessary world class online content for their students.

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## **SECTION II: SUGGESTIONS BY PAFI MEMBERS**

### **A. CONSTRUCTION SECTOR**

#### **Suggestion for Logistic Issues**

- ❖ Operate additional fleets of trains and trucks from ports to major destinations to clear the backlog of goods stuck at ports and in transit.
- ❖ Railways should consider running more goods trains (and reduce passenger trains) for the next 3 months to support quick movement of goods
- ❖ Railway should provide a 25% rebate on tariff for the transport of all goods for the next 6 months
- ❖ Government should reduce excise duty on petroleum products to pass on the benefit of low crude oil prices
- ❖ Exemption from toll tax payment for all goods transportation for 6 months
- ❖ More facilities to be provided for e-way bills to reduce time for movement
- ❖ Waiver of all demurrage and other charges for loading unloading at port and rail points
- ❖ Incentive package for logistics organisations and labour affected by the lockdown to enable resumption of operations at the earliest, direct benefit transfers could be considered
- ❖ Transporters be allowed to claim additional depreciation for next 3 months

#### **Suggestion for Financial Issues**

- ❖ India's COVID-19 relief package outlay (INR 1.7 lakh crore) at 1% of GDP, needs to be raised to 4% - 5% of GDP
- ❖ Moratorium on Interest and Tax Payments for one year - Owing to the restrictions due to COVID-19 outbreak, Industrial Sector apprehends a quick recovery. Govt may consider giving moratorium on all principal & interest, deferment in the advance tax payment, grant of GST holidays.
- ❖ Guarantee on capital investments and income tax and other taxes can be adjusted against previous Minimum Alternate Tax (MAT)
- ❖ Reconsideration of existing Corporate Tax Structure- To negate this Crisis and to find an economically viable path to the next normal, Govt may consider giving relaxation on Corporate Taxes (25%) and long term capital gain tax rates (20 %)
- ❖ Extension on validity of permission for Road Tax Paid by us during Lockdown Period- Just to provide a bit of relief to the Industries during this difficult situation, Govt may consider exempt of Road tax for Commercial vehicles owned by the Industries / consider extension of validity period of permission
- ❖ Moratorium on payment of Royalty, DMF, NMET Fund etc - In this challenging time Govt may consider waiver / reduction / deferment of Royalty, DMF, NMET Fund Payments till

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the time things get back to normal. The benefits of cost reduction will pass on along the supply chain and will be helpful in reviving the economy

- ❖ Ensuring Incentives under Industrial Policy Resolutions of State Govts - As the industrial Sectors hit hard by the disruptions due to COVID-19 outbreak, The State Govts may consider bailing out the Industries by assuring and extending all necessary prescribed benefits mentioned in the IPR during the GST regime without any amendments.
- ❖ Financial support to industry - Industry is incurring salary and wage payment as advised by Govt, huge interest cost and many fixed costs due to Lockdown. To survive this financial burden suitable policy can be made to compensate a part of the cost, may be interest etc.
- ❖ Waiver of coal import duty- Currently, import duty on coal is 5%. Requesting authorities to waive it off for few months.
- ❖ Extension of transport subsidy in NE - Our transport subsidy in NE (about to expire in July'20) on transfer of clinker to be extended by another year.
- ❖ All due incentives for investment done in FY 20 and to be completed up to March 2021
- ❖ Government to reimburse all such due incentives to be released on priority with defined timelines.
- ❖ To provide wage subsidies as a financial support to maintain employment and industry capability.
- ❖ PPF coverage to be extended to all Industry, suitably adjusted to their income slabs, thereby at least covering adverse impact on seasonal/contractual workforce
- ❖ Facilitate cash flows through immediate and interim claim resolution, payment on account, advance payment cycles, etc.
- ❖ Electricity duty and fixed charges should be waived off for next 6 months.
- ❖ Payment of royalty/GST on coal, petcoke and other fuels be deferred for next 3 months.
- ❖ Waiver of all costs and administrative fees for the lifting of fly ash from power plants for 6 months.
- ❖ SAIL should provide at least 50% rebate on slag prices for next 6 months.
- ❖ Operate additional fleets of trains and trucks from ports to major destinations to clear the backlog of goods stuck at ports.

### **Suggestion for labour management at the factories and construction sites**

- ❖ Government should give concessional transport facility to the migrant labour so that they can safely return to project sites.
- ❖ Appropriate relaxation of labour laws until the business resume to its normal state of production.
- ❖ A message needs to be communicated to the workforce clarifying no wages would be payable without returning to operations post lockdown gets over.
- ❖ Instead of overtime, payment for longer working hours would help instead of constraining Industry with disproportionately high overtime wages given that there would be limited production in any case.

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- ❖ The issue of labour was more prominent at the construction sites with a lot of migrant labour having gone back to respective locations. It was necessary to address labour bottlenecks at the construction sites.

### **Suggestions for Reviving Cement Demand in India**

- ❖ Quick disbursal of pending dues/ advances to civil and other contractors of government projects to start work
- ❖ Support the revival of real estate housing projects that will create cement demand and also create employment
- ❖ Working capital support to real estate projects from banks at concessional rate
- ❖ Disbursement of real estate distress fund quickly to all selected stuck projects
- ❖ Relief or deferment of payment of government charges (EDC/IDC, registration fees etc.)
- ❖ Quick disbursement of housing loans to individual home builders
- ❖ Interest subsidy and financial support from Government for houses built or purchased in next 6 months.
- ❖ Reduce GST on cement to 18% for 6 months period to incentivize the purchase of cement
- ❖ Supply of other construction materials (sand, aggregates etc.) is also essential for which Government should liberalise river sand mining for 6 months and provide royalty and tax exemptions to all aggregate manufactures.
- ❖ Government should spend money towards infrastructure by employing maximum labour workforce. Interestingly, the labour share is maximum in infrastructure spending, which would ensure financial stability of workforce as well as provide a strong and much needed boost to core Industry such as Cement, Steel, etc. This should be of utmost priority, even if it requires printing more money for some time

### **Suggestions for Raw Material Availability**

Raw material Availability: Limestone is a critical raw material for manufacturing of Cement. At present, low rate of exploration, slow pace of mineral auction, and irrational taxes/levies at state level has led to increasing import dependency for this crucial material. Advance preparation are inevitable to speed up the economic revival process.

- ❖ Over last 5 years, since introduction of MMDR Act, several states have not even initiated auction of mines, posing challenges of sustained resource supplies for high CAPEX industries. In addition, transfer of mineral leases attracts very high charges, which should be reconsidered to make business viable. Flexibility in proposed regulatory provisions is necessary to ensure speedy revival of the sector and associated value chain.
- ❖ To allow restructuring of management through demerger and merger, business resolution through Insolvency and Bankruptcy Code 2016 (IBC) under change in name rather than Transfer under Section 12 A of MMDR Act 1957 and Mineral Transfer Rules 2016
- ❖ Time bound instruction to all State Governments for publishing a schedule of Limestone mineral auctions within 15 days and implementing the same as soon as lockdown will get over. This will ensure that raw supplies match the anticipated demand for cement.



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- ❖ Speedy disposal of Mineral Concessions saved under section 10A(2)(b) of the MMDR Act, 2015.
  - ❖ Transfer of Mineral Concessions granted for captive use other than through auction should be allowed without any charge subject to the condition that the end use plant is also transferred to the same company. In case of transfer of end use plant, the captive mine should be transferred to the transferee company.
  - ❖ Time bound schedule for auction of Limestone mines at respective state level. Compliance must be ensured by the Central Government.
  - ❖ Extension of Mining Lease period under Section 8A (5) of MMDR Amendment Act 2015.
    - Auction of captive leases would disrupt existing end use Industries who have set up manufacturing plant and expanded capacities based on mineral raw material.
    - During auction, non-serious companies may take bid price to unsustainable levels, which may be difficult for existing lease holder to match.
    - This will put existing manufacturing set up completely at risk of closure leading to huge revenue losses to Government exchequer in terms of GST, Royalty, DMF, NMET and other statutory levies besides loss of innumerable jobs.

#### **Other Suggestions**

- ❖ Ensure ease of Government approvals: Relaxation of specific environmental compliances for 6-12 months i.e. all the mandatory approvals can be deemed to be granted for at least next 6 months, so that Industry could resume operations properly.

### **B. HOSPITALITY SECTOR**

#### **Suggestions for Financial Issues**

- ❖ Unemployment Pay Cover through Employees' State Insurance Corporation (ESIC)
- ❖ Change/expand the benefits of PF for employees
- ❖ Easy availability of working capital at low rates
- ❖ Complete waiver of all renewal fees for licenses/registrations/permits etc. for six months
- ❖ Concessions on utilities payments
- ❖ Direct Tax Holiday for a year
- ❖ Restoration of Input Tax Credit on GST for the restaurant industry

### **C. INFORMATION TECHNOLOGY AND ENABLED SERVICES (IT&ES) SECTOR**

#### **Suggestions for Operational Issues**

- ❖ Reduce timelines for issue of passes for employees or allow in principle approval in cases where client letter and authorization in the name of the employee is given.
- ❖ Allow for simpler process for a simple extension of passes issued if the reason and the purpose of deployment remains the same and is linked to emergency or provision of essential services.

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## **D. CONSULTANCY SERVICES SECTOR**

### **Suggestion for Financial Issues**

- ❖ Offering clients the option of staggered payment so that they can make payments instead of not paying at all.

## **E. FINANCIAL SERVICES SECTOR**

### **Recommendations for promoting contactless payments**

- ❖ All cards (both debit and credit), newly issued or re-issued, should be activated with Domestic Card Not Present [CNP] and contactless transaction options.
- ❖ Transactions up to Rs 5,000/- may be considered without pin as opposed to the current limit of INR 2000.
- ❖ Transactions above the limit set for contactless non-PIN transactions should be allowed with Tap and PIN.
- ❖ Where the POS does not have the facility of processing contactless transactions, there should be no need for entering a PIN in a dip transaction, for whatever limit is set for contactless non-PIN transactions. This would also thus prevent contact with the POS device.

### **Recommendations for disincentivizing cash**

- ❖ Levy a surcharge on cash purchases of INR 25,000 at one point of time.
- ❖ Levy ATM cash withdrawal transaction fees
- ❖ Increase limits on credit cards / debit cards for online usage
- ❖ Decrease limits for cash withdrawal on cards
- ❖ Ensure all relief packages / DBT is stored on credit cards/ prepaid cards and not transferred into bank accounts (so as to reduce the propensity to withdraw cash from ATM)

### **Ensuring Credit / Financial sustainability / Operations of MSMEs**

- ❖ Allow for 30-60 days grace period in utility and statutory payments for traders below a threshold without impacting credit history.
- ❖ Give MSMEs across the board interest rate subvention at 3 per cent, on standard loans.
- ❖ Extension for license renewal: Any renewal falling due in April / May June should be made automatic renewal for at least 1 month without penalty.
- ❖ EMIs and interest on working capital be deferred till things normalize.
- ❖ COVID Loan Program for SMEs (without interest and no fee) – Can be MUDRA loans with a relaxed tenure for repayment.
- ❖ Provide income support to small traders for their employees through DBT (INR 2000 pm) to employees for next 3 months.
- ❖ NBFCs be given license to issue cards to the MSMEs. These cards can provide a ready source of revolving credit.

- ❖ Provide business insurance policies and coverage in the event of a significant business disruption.
- ❖ Providing a 60 days extension for payment of all taxes including Income Tax, GST, etc. due in the months of April, May and June.
- ❖ Provide extended time period for GST Filings especially for the next two quarters.
- ❖ Allow deducting "loss" from income (i.e. loss from 2020 from 2019 tax return) - merchants will be able to deduct the loss from business activity during the corona virus crisis from the income achieved in the next five years.

## **F. CHEMICAL SECTOR**

### **Suggestion on Financial Issues**

- ❖ Deferment in payment of statutory duties. June 2020 advance tax should be deferred to September 2020.
- ❖ 3 months GST paid to be paid back as relief to companies in order to meet the vendor & supplier's dues. GST payback for Dec 2019, Jan 2020 and Feb 2020 will be very much helpful.

### **Suggestions for Operational Issues**

- ❖ Approval to unload vehicles at Warehouses (Interstate)
- ❖ Allow all chemical production at minimal capacity with all safeguards

### **Suggestions to improve India Chemical Industry Competitiveness post Coronavirus scenario:**

- ❖ China has recently increased export incentive from 9% to 13% on about 1500 products to boost exports post coronavirus outbreak. To maintain competitiveness of exports by Indian companies in global market as against Chinese companies, industry requests that similar increase in MEIS benefit for Chemical industry to be raised to 6-7% from current level of 2-3% (depending on products).
- ❖ Chemicals where India has achieved Global scale of capacities under "Make in India initiative" (much beyond Indian domestic consumptions), Government of India should impose tariff / non-tariff barriers to restrict imports and dumping by international companies especially Chinese companies. Due to non-availability of feedstock, infrastructure constraints and higher finance costs Indian manufacturers are not able to compete against imports. Example of such chemicals are below:

<b>Name of The product</b>	<b>Indian Capacity MT</b>	<b>Indian Demand % of Indian Capacity</b>
1. Acetic Anhydride (HS code 29152400 )	1,80,000	56%

Name of The product	Indian Capacity MT	Indian Demand % of Indian Capacity
2. Ethyl acetate (HS code 29153100 )	6,00,000	53%
3. Choline Chloride (HS code 29231000 )	21,000	81%
4. Pyridine and its derivatives (HS code 29333100 )	60,000	3.7%
5. 2-Chloro Pyridine (HS code 29333990 )	8400	13.6%
6. Piperidine and its salts (HS code 29333200 )	1,500	27%
7. Alpha picoline (HS code 29333912 )	20,000	13%
8. Gamma picoline' (HS code 29333913 )		
9. Niacimanide (HS code 29362920 )	24,000	8%
10. AminoPyridines (HS code 29333911 )	1000	60%
11. Lutidines (HS code 29333918 )	1800	94%
12. 4-Cyano Pyridine (HS code 29333919 )	900	56%
13. Collidines (HS code 29333990 )	500	40%

- ❖ In the current coronavirus situation in various parts of the world, export demand of our products is getting impacted. Hence to ensure viability of huge investments made in SEZ, Industry submission is that SEZ to DTA sale should be allowed “without paying additional custom duty”.
- ❖ India does not have sufficient capacity for manufacturing of key feedstock’s like Acetic Acid, Ethanol, Methanol, etc. (see below details) and hence Indian companies are depending on imports and incurring higher cost of transportation in addition to custom duty.
  - a. India’s total Demand of Acetic acid is ~1 Million MTPA growing at CAGR of 7.5% of which domestic production is ~15%, rest ~85% is import dependent.
  - b. Similarly, demand of Methanol in India is more that 2.2 Million MTPA, of which domestic production is catering to only 12%, rest ~88% is import dependent.

Hence, India has to necessarily import these feedstock for domestic manufacturing of downstream products and value addition. Putting duties on these key feedstock’s makes Indian manufacturing uncompetitive also taxing their downstream users like farmers/common people. Hence, industry is requesting that basic custom duty on these key feedstock’s be made zero.

Product	Current Basic Custom Duty (BCD)	Proposed Basic Custom Duty
I. Acetic Acid (HS code: 29152100)	7.5% Preferential BCD under FTA – 5% from Singapore and Malaysia	0%

II. Methanol (HS code: 29051100)	5%	0%
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- ❖ In the current coronavirus situation, capacity utilisation has steadily increased in China resulting into massive inventory build-up as it returns to normal. China has also announced increase in export incentive to liquidate accumulated inventory. Further there is sharp fall in prices across the Petrochemicals chain. In such a collapsing price scenario predatory exports from China and other major exporters to India would greatly impact domestic manufacturers of Chemicals and Petrochemicals. Hence, Industry requests Government of India to impose an interim 15% of COVID TAX across the value chain of Chemicals & Petrochemicals industry with few exemptions as below:
  - a. This Covid Tax should not be applicable in case the final value added product is for export under advance authorization.
  - b. This Covid Tax should not be applicable for product sold from SEZ/EoU units in India to a domestic customer.

## **G. FOOD AND BEVERAGES SECTOR**

### **Suggestion for boosting demand**

- ❖ In the absence of clear visibility in demand, industry will stay away to make any investments/procurement from farm level. This would lead to stress due to already invested capital/infrastructure by supply chain partners.
- ❖ Government should provide cover by underwriting gap in fruit procurement done by industry vis-à-vis last year. Industry shall match last year's procurement and process these excess quantities to sustain the entire supply chain.

## **H. ONLINE AND MOBILE VALUE ADDED SERVICES SECTOR**

### **Suggestion for e-Commerce roadmap for economic recovery**

- ❖ Special permission and incentives be offered to MSMEs, small scale sellers and petty producers, self-employed service providers to start their operation via e-commerce platforms to safeguard livelihood.

### **Suggestion for Monetary Policy & Regulatory Issues**

- ❖ Expedite tax refunds
- ❖ Roll Back TCS on e-commerce
- ❖ Extend GST threshold for e-commerce
- ❖ Sectoral incentives for digital sector
- ❖ Roll back equalisation levy on e-commerce
- ❖ No floor prices for telecom services
- ❖ Defer consumer protection guidelines
- ❖ Defer intermediary guidelines

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## I. INFORMATION AND ANALYTICS SECTOR

### Suggestion for Operational Issues

- ❖ Printing of scientific/medical/technical/specialty publications, books, journals be allowed to operate and be exempted from the lockdown
- ❖ Bookshops selling scientific, medical & nursing, technical & legal books, journals, and other publications be allowed to open for few hours in a day to
  - operate their stores which also serve as their inventory warehouses, to process, pack & ship out customer orders
  - also urge the government to consider phase-wise relaxation of the complete ban on public dealing as lockdown is slowly eased, so that retail operations may be permitted for a few specific hours while adhering to social distancing, sanitation and disinfection guidelines
- ❖ Support online education with providing funds and facilitating access & subscription to online content access:
  - Institutes should be allowed to sign e-Agreements instead of physical copies in order to ensure timely renewals on their subscriptions
  - Research grants & budget of these institutes should be allocated to ensure their researchers are able to access high quality scientific literature required to continue research projects undertaken by them
  - Create a single window clearance mechanism for corporates to approach for various licenses/approvals as this will improve ease of doing business and be a business enabler in these times of constant regulatory change
  - Improve bandwidth for remote access

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