

Annexure

Finance Minister's Announcements that can have impactful outcome for the Textile sectors.

A. 13th May 2020. Finance Minister announced measures for relief and credit support related to businesses, especially MSMEs to support Indian Economy's fight against COVID-19

1. Rs 3 lakh crore Emergency Working Capital Facility for Businesses, including MSMEs :

To provide relief to the business, additional working capital finance of 20% of the outstanding credit as on 29 February 2020, in the form of a Term Loan at a concessional rate of interest will be provided. This will be available to units with upto Rs 25 crore outstanding and turnover of up to Rs 100 crore whose accounts are standard. The units will not have to provide any guarantee or collateral of their own. The amount will be 100% guaranteed by the Government of India providing a total liquidity of Rs. 3.0 lakh crores to more than 45 lakh MSMEs.

This will be applicable to MSMEs

2. Rs 20,000 crore Subordinate Debt for Stressed MSMEs :

Provision made for Rs. 20,000 cr subordinate debt for two lakh MSMEs which are NPA or are stressed. Government will support them with Rs. 4,000 Cr. to Credit Guarantee Trust for Micro and Small enterprises (CGTMSE). Banks are expected to provide the subordinate-debt to promoters of such MSMEs equal to 15% of his existing stake in the unit subject to a maximum of Rs 75 lakhs.

This will be applicable to MSMEs

3. Rs 50,000 crores equity infusion through MSME Fund of Funds :

Govt. will set up a Fund of Funds with a corpus of Rs 10,000 crore that will provide equity funding support for MSMEs. The Fund of Funds shall be operated through a Mother and a few Daughter funds. It is expected that with leverage of 1:4 at the level of daughter funds, the Fund of Funds will be able to mobilise equity of about Rs 50,000 crores.

This will be applicable to MSMEs

4. New definition of MSME:

Definition of MSME will be revised by raising the Investment limit. An additional criteria of turnover also being introduced. The distinction between manufacturing and service sector will also be eliminated.

This will be applicable to MSMEs

5. Other Measures for MSME :

e-market linkage for MSMEs will be promoted to act as a replacement for trade fairs and exhibitions. MSME receivables from Government and CPSEs will be released in 45 days.

This will be applicable to MSMEs. All EPCs to take necessary steps.

6. No Global tenders for Government tenders of up to Rs 200 crores.

General Financial Rules (GFR) of the Government will be amended to disallow global tender enquiries in procurement of Goods and Services of value of less than Rs 200 crores.

This will be applicable to MSMEs

7. Employees Provident Fund Support for business and organised workers:

The scheme introduced as part of PMGKP under which Government of India contributes 12% of salary each on behalf of both employer and employee to EPF will be extended by another 3 months for salary months of June, July and August 2020. Total benefits accrued is about Rs 2500 crores to 72.22 lakh employees.

This will be applicable to MSMEs

8. EPF Contribution to be reduced for Employers and Employees for 3 months :

Statutory PF contribution of both employer and employee reduced to 10% each from existing 12% each for all establishments covered by EPFO for next 3 months. This will provide liquidity of about Rs.2250 Crore per month.

This will be applicable to MSMEs

9. Reduction in Rates of 'Tax Deduction at Source' and 'Tax Collected at Source' :

The TDS rates for all non-salaried payment to residents, and tax collected at source rate will be reduced by 25 percent of the specified rates for the remaining period of FY 20-21. This will provided liquidity to the tune of Rs 50,000 Crore.

- The due date of all Income Tax Returns for Assessment Year 2020-21 will be extended to 30 November, 2020. Similarly, tax audit due date will be extended to 31 October 2020.
- The date for making payment without additional amount under the “Vivad Se Vishwas” scheme will be extended to 31 December, 2020.

This will be applicable to MSMEs

B. 14th May 2020. Finance Minister announced short term and long-term measures for supporting the poor, including migrants, farmers, tiny businesses and street vendors

1. 2% Interest Subvention for 12 months for Shishu MUDRA loanees-

Relief of Rs. 1,500 crore Government of India will provide Interest subvention of 2% for prompt payees for a period of 12 months to MUDRA Shishu loanees, who have loans below Rs 50,000. The current portfolio of MUDRA Shishu loans is around Rs 1.62 Lakh crore. This will provide relief of about Rs 1,500 crore to Shishu MUDRA loanee. The handloom weavers and handicraft artisans who have taken SISHU MUDRA loan will be covered.

This will cover MUDRA loanees

C. 15th May 2020. Finance Minister announced measures to strengthen Agriculture Infrastructure Logistics, Capacity Building, Governance and Administrative Reforms for Agriculture, Fisheries and Food Processing Sectors

1. Rs 1 lakh crore Agri Infrastructure Fund for farm-gate infrastructure for farmers :

Financing facility of Rs. 1,00,000 crore will be provided for funding Agriculture Infrastructure Projects at farm-gate & aggregation points (Primary Agricultural Cooperative Societies, Farmers Producer Organizations, Agriculture entrepreneurs, Start-ups, etc.). Impetus for development of farm-gate & aggregation point, affordable and financially viable Post Harvest Management infrastructure. Fund will be created immediately.

This will be beneficial to Jute and Cotton sectors.

2. Rs 20,000 crore for fisherman through Pradhan Mantri Matsya Sampada Yojana (PMMSY).

4/8

The Government will launch the PMMSY for integrated, sustainable, inclusive development of marine and inland fisheries. Rs 11,000 crore for activities in Marine, Inland fisheries and Aquaculture and Rs. 9000 crore for Infrastructure - Fishing Harbours, Cold chain, Markets etc shall be provided. Cage Culture, Seaweed farming, Ornamental Fisheries as well as New Fishing Vessels, Traceability, Laboratory Network etc. will be key activities. There will be provisions of Ban Period Support to fishermen (during the period fishing is not permitted), Personal & Boat Insurance. This will lead to Additional Fish Production of 70 lakh tones over 5 years, Employment to over 55 lakh persons and double the exports to Rs 1,00,000 crore. The focus will be on Islands, Himalayan States, North-east and Aspirational Districts.

This may be beneficial to MMF and Technical Textile sector. The fishing nets are mainly nylon made and numerous element of technical textile is required in support infrastructure.

3. Agriculture Marketing Reforms to provide marketing choices to farmers :

A Central law will be formulated to provide –

- adequate choices to the farmer to sell their produce at remunerative price;
- barrier free Inter-State Trade;
- a framework for e-trading of agriculture produce.

This may be beneficial to Jute and Cotton sectors.

D. 16th May 2020. Finance Minister announced new horizons of growth; structural reforms across Eight Sectors paving way for Aatma Nirbhar Bharat

1. The Finance Minister announced following policy reforms to fast track investment in an effort towards Aatma Nirbhar Bharat:

- a. There will be fast tracking of investment clearance through Empowered Group of Secretaries.
- b. Project Development Cell will be constituted in each Ministry to prepare investible projects, coordinate with investors and Central/State Governments.
- c. There will be ranking of States on investment attractiveness to compete for new investment.
- d. Incentive schemes for promotion of new champion sectors will be launched in sectors such as solar PV manufacturing; advanced cell battery storage etc.

This will benefit existing clusters across the country and new investment coming in the sector.

2. More World-Class Airports through PPP :

6 more airports have been identified for 2nd round bidding for Operation and Maintenance on Public Private Partnership (PPP) basis. Additional Investment by private players in 12 airports in 1st and 2nd rounds is expected to bring around Rs. 13,000 crore. Another 6 airports will be put out for the third round of bidding.

This will benefit MMF, Home Textile, Handicrafts & Technical Textiles Sector

3. India to become a global hub for Aircraft Maintenance, Repair and Overhaul (MRO):

Tax regime for MRO ecosystem has been rationalized. Aircraft component repairs and airframe maintenance to increase from Rs 800 crore to Rs 2,000 crore in three years. It is expected that major engine manufacturers in the world would set up engine repair facilities in India in the coming year. Convergence between Defence sector and the civil MROs will be established to create economies of scale. This will lead to maintenance cost of airlines to come down.

This will benefit specially Technical Textiles Sector

4. Space sector: boosting private participation in space activities:

There shall be level playing field provided to private companies in satellites, launches and space based services. Predictable policy and regulatory environment to private players will be provided. Private sector will be allowed to use ISRO facilities and other relevant assets to improve their capacities. Future projects for planetary exploration, outer space travel etc shall also be open for private sector. There will be liberal geo-spatial data policy for providing remote-sensing data to tech entrepreneurs.

This will benefit specially Technical Textiles Sector

5. Atomic energy related reforms:

Research reactor in PPP mode for production of medical isotopes shall be established to promote welfare of humanity through affordable treatment for cancer and other diseases. Facilities in PPP mode to use irradiation technology for food preservation – to compliment agricultural reforms and assist farmers shall also be established. India's robust start-up ecosystem will be linked to nuclear sector and for this, Technology Development-cum-Incubation Centres will be set up for fostering synergy between research facilities and tech-entrepreneurs.

This will benefit specially Technical Textiles Sector

E. **17th May 2020. Finance Minister announced Government Reforms and Enablers across Seven Sectors under Aatma Nirbhar Bharat Abhiyaan.**

1. Further enhancement of Ease of Doing Business through IBC related measures:

Minimum threshold to initiate insolvency proceedings has been raised to Rs. 1 crore (from Rs. 1 lakh, which largely insulates MSMEs). Special insolvency resolution framework for MSMEs under Section 240A of the Code will be notified soon. Suspension of fresh initiation of insolvency proceedings up to one year, depending upon the pandemic situation. Empowering Central Government to exclude COVID 19 related debt from the definition of "default" under the Code for the purpose of triggering insolvency proceedings.

This will be applicable to MSMEs

2. Decriminalisation of Companies Act defaults:

Decriminalization of Companies Act violations involving minor technical and procedural defaults such as shortcomings in CSR reporting, inadequacies in Board report, filing defaults, delay in holding of AGM. The Amendments will de-clog the criminal courts and NCLT. 7 compoundable offences altogether dropped and 5 to be dealt with under alternative framework.

F. 20th May, 2020. The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has given the following approvals for implementation of the announcement made on 13th May depicted at Sl.No.1:

- To enable additional funding of up to Rs. three lakh crore to eligible MSMEs and interested MUDRA borrowers by way of "Emergency Credit Line Guarantee Scheme."
- Under the Scheme, 100% guarantee coverage to be provided by National Credit Guarantee Trustee Company Limited (NCGTC) for additional funding of up to Rs. three lakh crore to eligible MSMEs and interested MUDRA. borrowers, in the form of a Guaranteed Emergency Credit Line (GECL) facility.

For this purpose, corpus of Rs. 41,600 crore shall be provided by Government of India spread over the current and the next three financial years.

The Cabinet also approved that the Scheme would be applicable to all loans sanctioned under GECL Facility during the period from the date of announcement of the Scheme to 31.10.2020, or till an amount of Rs 3,00,000 crore is sanctioned under the GECL, whichever is earlier.

Details:

The Emergency Credit Line Guarantee Scheme (ECLGS) has been formulated as a specific response to the unprecedented situation caused by COVID-19 and the consequent lockdown, which has severely impacted manufacturing and other activities in the MSME sector. The Scheme aims at mitigating the economic distress being faced by MSMEs by providing them additional funding of up to Rs. 3 lakh crore in the form of a fully guaranteed emergency credit line. The main objective of the Scheme is to provide an incentive to Member Lending Institutions (MLIs), i.e., Banks, Financial Institutions (FIs) and Non-Banking Financial Companies (NBFCs) to increase access to, and enable availability of additional funding facility to MSME borrowers, in view of the economic distress caused by the COVID-19 crisis, by providing them 100 per cent guarantee for any losses suffered by them due to non-repayment of the GECL funding by borrowers.

The salient features of the Scheme include -

- i. All MSME borrower accounts with outstanding credit of up to Rs. 25 crore as on 29.2.2020 which were less than or equal to 60 days past due as on that date, i.e., regular, SMA 0 and SMA 1 accounts, and with an annual turnover of up to Rs. 100 crore would be eligible for GECL funding under the Scheme.
- ii. The amount of GECL funding to eligible MSME borrowers either in the form of additional working capital term loans (in case of banks and FIs), or additional term loans (in case of NBFCs) would be up to 20% of their entire outstanding credit up to Rs. 25 crore as on 29th February, 2020.
- iii. The entire funding provided under GECL shall be provided with a 100% credit guarantee by NCGTC to MLIs under ECLGS.
- iv. Tenure of loan under Scheme shall be four years with moratorium period of one year on the principal amount.

- v.No Guarantee Fee shall be charged by NCGTC from the Member Lending Institutions (MLIs) under the Scheme.
- vi. Interest rates under the Scheme shall be capped at 9.25% for banks and FIs, and at 14% for NBFCs.

Implementation schedule:

The Scheme would be applicable to all loans sanctioned under GECL during the period from the date of announcement of the Scheme to 31.10.2020, or till an amount of Rs three lakh crore is sanctioned under the GECL, whichever is earlier.

Impact:

The Scheme has been formulated as a specific response to the unprecedented situation caused by COVID-19 and the consequent lockdown, which has severely impacted manufacturing and other activities in the MSME sector. In view of the critical role of the MSME sector in the economy and in providing employment, the proposed Scheme is expected to provide much needed relief to the sector by incentivizing MLIs to provide additional credit of up to Rs.3 lakh crore to the sector at low cost, thereby enabling MSMEs to meet their operational liabilities and restart their businesses. By supporting MSMEs to continue functioning during the current unprecedented situation, the Scheme is also expected to have a positive impact on the economy and support its revival.