A. IMPACT OF COVID 19 ON JEWELLERY & LIFESTYLE INDUSTRY

Current Scenario

Due to escalated outbreak of Coronavirus (COVID – 19), the Gems and jewellery sector in the country has come to a standstill with virtually no footfalls in jewellery stores amidst the fear of virus spread. Many jewellers have to even shut down their shops located in malls and shopping complexes. However, this being last month of the financial year, there are lot of due dates like Advance tax payment, Maturity date of Gold Metal Loan, Interest payment on Gold Metal Loan etc. The effect of Corona Virus in the industry has been devastating namely after the announcement of the lockdown, lakhs of artisans who are dependent on order are job less now due to the shutdown. This sector is an absolutely labour oriented sector one which writes the Indian growth economy in terms of GDP at the same time it accelerates forex revenue which may be the most important in present scenario for Governments to look after. In light of such a crisis situation, the industry seeks immediate relief measures to enable the Industry and trade to function smoothly

Our Gratitude
We are really grateful to the Reserve Bank of India and Ministry of Commerce for timely announcement of series of measures which has provided much relief to us. We are with the government and would like to work shoulder to shoulder in these trying times. However, we expect the government to share our plight in the following way that shall greatly benefit us. Being the Industry representatives we are hereby submitting certain concerns to enable the Industry to survive in form of certain recommendations which are narrated below. Together we shall build the nation again.

B. SUPPORT REQUIRED FROM GOVERNMENT TO MITIGATE THE IMPACT

(i) LOAN HOLIDAY INCENTIVE PROGRAM FOR DISBURSEMENT OF SALARIES / WAGES, RENTAL PAYMENTS ETC.,

At a time when Indian companies are hit by COVID – 19 and contemplating lay-offs, the government has asked India Inc to make payments to employees and small firms on time. The Prime Minister in his address to the nation has urged the business world to make regular payments of wages. As tax holidays are commonly used by governments in developing countries to help stimulate investment, on the same lines,
we propose a Loan Holiday Incentive program whereat the banks and financial institutions will give credit limits based on risk assessment and past track record for timely disbursements of salaries and wages, rent and electricity payments, etc. The loan should be given for three months disbursements, with a Holiday period of six months. Thereafter, the same will be repaid along with interest on EMI basis within the time frame of 12 months.

(ii) EXTENSION OF TIME LIMIT FOR REPAYMENT OF GOLD METAL LOAN (GML) AND INTEREST THEREON –

Metal gold loans are extended by the banks as a commodity loan in terms of gold to the jewellers. These are short term loans with a maximum maturity of up to 180 days for jewellery manufacturers and 270 days for exporters. In such a crisis situation, the jewellery manufacturers may not be in a position to repay the GML along with interest having maturity in the coming days. In such a scenario, we urge the government to give more time to the jewellers for repayment of GML. Even in the past, the government in consultation with RBI had taken such measures. We seek immediate intervention of the government in this regard failing which there will be many defaults by many jewellers to repay the GML. Further, if there are defaults in repayment of GML, bank will report this to the Credit rating bureau which shall negatively impact the Credit score of the jeweller, thereby causing disruptions in Bank finances extended to jewellers. Central Governments across the world have announced stimulus package to offset the damage to businesses from the corona virus pandemic. We are only seeking an extension in the repayment schedule of loan as well interest amount and not asking for any waiver.

Recommendation: - We request the government to give further extension of at least 180 days for repayment under the GML scheme and also interest thereon.

(iii) EXTENSION OF DUE DATE FOR PAYMENT OF INTEREST ON CASH CREDIT (CC) / OVERDRAFT (OD) FACILITIES

Most of the businesses avail CC / OD facilities for their working capital requirements. While the government has announced a window of 90 days , keeping in mind the current market scenario, we request the government to grant us an extension in the payment of interest amount by at least 180 days to enable the Industry to stand on its feet.

(iv) EXTENSION OF DUE DATE OF ADVANCE TAX FOR QUARTER ENDED MARCH 2020

March 15 is the due date for payment of the fourth and last installment of advance tax for the year 2020-21. Considering, the slowdown in the business due to recession and the escalated outbreak of Corona Virus (COVID – 19), many businesses have failed to make Advance tax payment.

Recommendation: -As a one-time relief, we request the government to extend the due date for the payment of Advance tax by atleast 180 days.

Prepared by Indian Chamber of Commerce
(v) RELIEF FOR ARTISANS THROUGH PAHCHAN CARDS

The Office of Development Commissioner (Handicrafts) under Ministry of Textiles had taken an initiative to issue Aadhar link identity card to handicrafts artisans under “PAHCHAN” initiative with effect from October, 2016. The Pahchan card has an information of handicrafts artisans viz: name & address, Aadhar Card number, mobile number and craft practiced. The Office of the Development Commissioner (Handicrafts) has registered 25.04 lakh artisans across the country under “PAHCHAN” initiative till November 2019 and the process is continuing. The details of the handicrafts artisans registered under “PAHCHAN” is available on the official website of Office of Development Commissioner (Handicrafts) viz www.handicrafts.nic.in. Recommendation - It is earnestly requested to the Finance Ministry to create a special fund and distribute one time to them through their respective PAHCHAN Cards. This measure will help the backbone of this industry, the jobless artisans to take care of their basic needs in times of this crisis whose survival depends on their handcrafting skills.

(vi) WAGES FROM PROFIDEND FUND WITHOUT CAPPING UPPER LIMIT OF EMPLOYEES

The government has announced relaxation on the Employees' Provident Fund (EPF) withdrawal rules to enable easier access to the money and also pay both the employer and employee contribution to the EPF accounts of certain establishments for the continuity of the account for the next three months. While we are grateful for this measure we sincerely request the government to extend the same for the next 6 months as a breather to the industry. The government has also agreed to contribute both employer and employees contribution to the EPF account for the next three months to ensure continuity of the EPF accounts for establishments with up to 100 employees. Recommendation - We request the government to extend this support to all the companies having 100 or more employees without capping the upper limit.

(vii) REDUCTION ON INTEREST FOR TERM LOANS AND WORKING CAPITAL FOR 6 MONTHS.

With production and sales at 0, the cash flow of nearly all businesses will be severely hit. The interest holiday will allow businesses to generate cash flow for keeping the business going. As per recent relief measures, the government has announced deferment of EMI payments for 3 months and the entire EMI at the end of the 3 months (with interest) has to be paid. This will imply a huge cash flow problem post 90 days, when businesses need to pay the required amount.
Recommendation - We request the government to allow a 50% reduction on interest rates for term loans on working capital facilities for a span of 180 days instead of 90 days in support of all businesses and give them interest relief.

(viii) CHANGING THE DEFINITION OF NON PERFORMING ASSETS.
Currently the definition of NPA is 90 days default. Recommendation – We request the government to change the definition should to 180 days for the short term. In this process banks would also be relaxed to help out businesses that need help at this juncture.

(ix) TAX DEFERMENT FOR THE NEXT 6 MONTHS.
TDS, PF and ESI. Recommendation – We request the government to allow businesses to pay the same in deferred instalments over the next 6 months.

(x) SAFE AND SPEEDY RETURN OF OUR ARTISAN AND CRAFTSMEN TO THEIR HOMETOWN
As stated earlier, after the announcement of the lockdown, lakhs of artisans who are dependent on order are job less now due to the shutdown. They are stuck in various parts of the country without basic resources for their sustenance. Recommendation - We request the government to provide necessary assistance to ensure safe and speedy return of our artisans from different parts of the country to their respective hometowns.