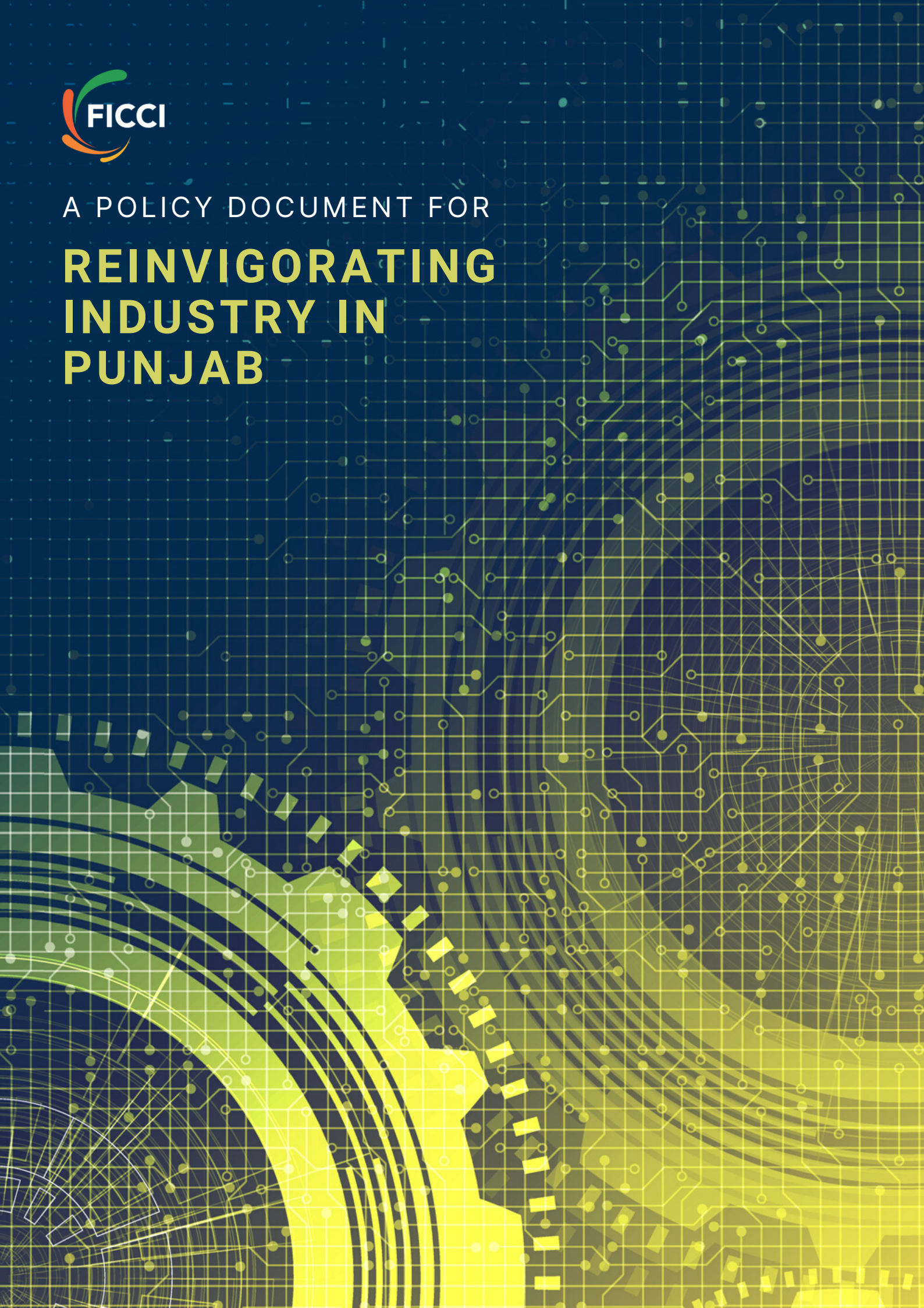
FICCI

A POLICY DOCUMENT FOR

REINVIGORATING INDUSTRY IN PUNJAB



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FROM THE

CHAIRMAN'S DESK

Rajinder Gupta
Regional Chairman, FICCI

Financial Year 2020-21 commenced amidst uncertainty on account of COVID-19 pandemic. Battling through the health risks to safeguard lives has led us to trade off with our economic bandwidth, one growth year at a time. At current rate, we stand witness to affected industrial ecosystem that needs immediate attention and focused revival strategy for getting back to business.

The State of Punjab has not remained unaffected by rumbling of this crisis. With its deep global integration and higher than average human resource exchange with other countries, it stood more vulnerable to infection, which also meant higher vigil and stricter regulations to avoid all transmission risks. The losses worsened since the pandemic hit the State while many sectors were expected for reaping seasonal peak. Farming community was gearing itself for wheat harvesting. Manufacturing industries including apparel and sports goods, on the other hand, had just realized first wave of domestic and international orders for summer consumption. All of it was disrupted as the State entered lockdown.

FICCI acknowledges the overwhelming challenge that Punjab was put against, and commends the State Government for dealing with it firmly. The loss of life and property would have been invariably worse had active measures not been taken. At the same time, there are reasons to believe that the crisis is not past us. As we move further from May 31st, economic recovery has to be kept as strong as health measures. This is an opportunity for Punjab to restructure industrial foundation and relaunch it for a better chance at exponential, inclusive and sustainable growth.

FICCI extends its whole-hearted support to the State Government and hopes that this policy document will contribute towards reinvigorating industry for reaching business-as-usual.

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EXECUTIVE SUMMARY

INTRODUCTION & SCOPE

As Punjab closes near ending of lockdown 4.0, it is time to rethink the revival strategy for businesses and set the stage for industrial relaunch.

Coronavirus (COVID-19) made its presence felt in China in November-December, 2019 and by late January 2020, had spread exponentially across the globe. On January 30, 2020 precisely, India reported its first case of COVID-19; on the same day, World Health Organization (WHO) declared the virus a 'global health emergency'.

Punjab confirmed its first case on March 09, 2020 and on March 22, 2020, did the necessary by entering into a curfew until March 31, 2020. A few days into it, the nation realized criticality of the situation and with Government of India's declaration on March 24, 2020, entered into a 21-day national lockdown until April 15, 2020. From thereon, the State has fared through three lockdown phases and currently nears the end of fourth phase (until May 31, 2020).

COVID-19 IMPACT ON PUNJAB ECONOMY

PERCENTAGE LOSS OF GSDP	LOSS OF STATE REVENUE	LOSS OF EMPLOYMENT	IMPACT ON INTERNATIONAL TRADE
Loss due to COVID-19 amounts to 13.60% of GSDP in Punjab, 8th highest among States.	COVID-19 has costed Punjab 88% of its estimated revenue for April itself. Around Rs 3,000 crore per month is being lost.	As per initial estimates, about 10 lakh individuals have lost their source of livelihood in Punjab due to lockdown.	Lower international demand and export volume is envisaged as 40% of Punjab's total exports is to countries badly hit with COVID-19.

Economic stability is reversing at exponential rate in Punjab.

- Production of goods and services took a hit in the State due to lockdown, as a result of which loss worth 13.60% of Gross State Domestic Product (GSDP) has been witnessed. In comparison, GSDP of its neighbouring States- Haryana and Himachal Pradesh has been curtailed by 12.60% and 10.00% respectively.

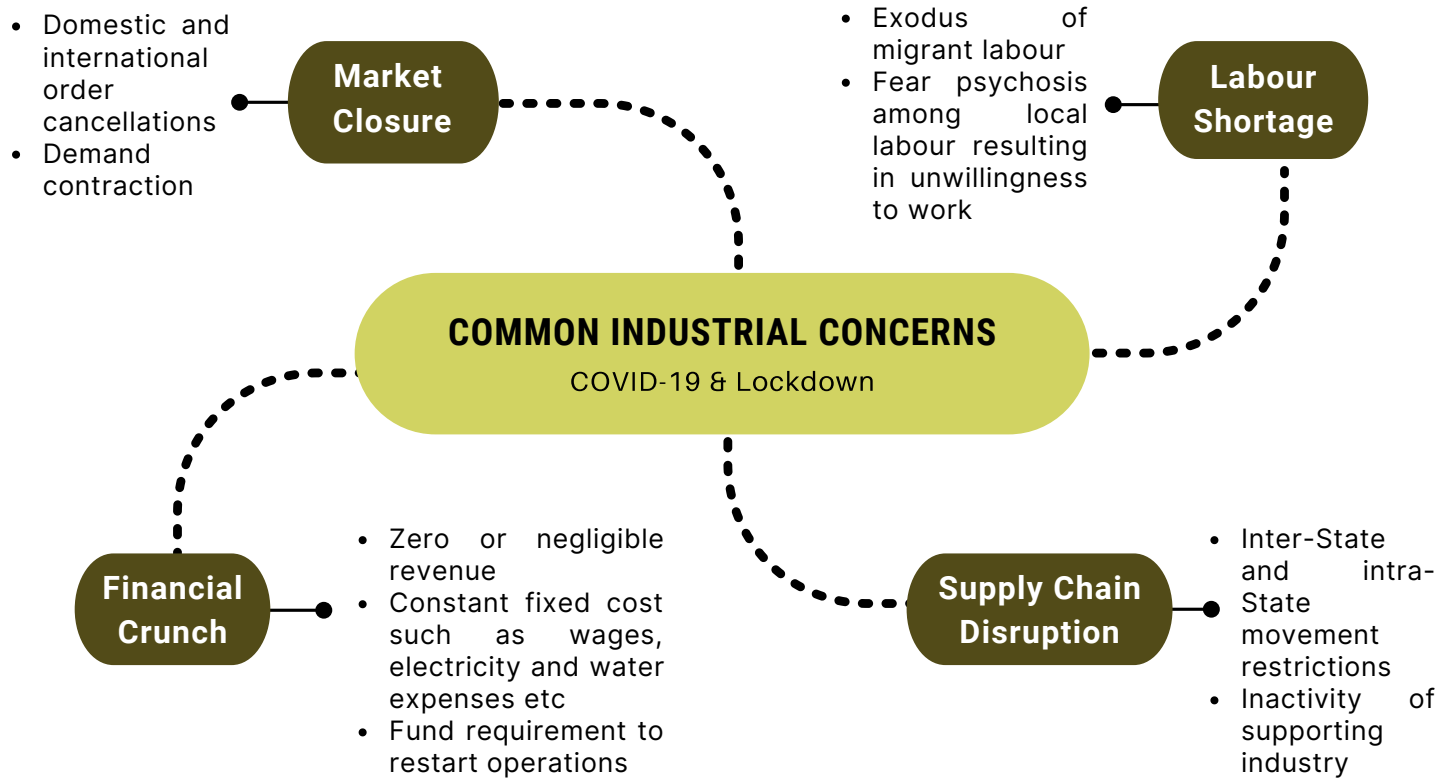
- Revenue wise, a loss of Rs 50,000 crore is estimated this financial year (FY 2020-21). Out of this, Rs 6,000 crore accounts to closure of liquor vends alone.

- Businesses have closed, in worse cases, permanently. This has thrown about 10 lakh workers out of job in the State. The numbers are expected to multiply with every single business moving out of market. In a longer run, this shall contract the entire business ecosystem as these workers are customers of goods and services too and lower income in hand will ultimately translate to lower spending and demand for products from businesses.

- Punjab's stronghold in international trade especially of foodgrains, sports goods, textile and apparel, handloom etc also makes it more vulnerable to changes in international market dynamics. Diminishing global demand for goods and services on account of economic breakdown is anticipated to impact the State at least until it adjusts itself to the shock.

COVID-19 IMPACT ON PUNJAB INDUSTRY

Punjab Industry reels under existential crisis as domestic and international market seems bleak for FY 2020-21. During the first three phases of lockdown i.e., from March 25, 2020 to May 15, 2020, businesses were left paralyzed as zero figure revenue was yielded on account of inactivity. Furthermore, essential manufacturers failed to operate properly and in many cases, decided to not open factories at all as supporting infrastructure was largely unavailable. Common concerns across industrial segments are as follow,



FICCI POLICY DOCUMENT: CONTEXT & COVERAGE

This policy document adopts sector-specific strategy to discuss industrial challenges posed by COVID-19, and chalk out recommendations that could be pursued at the level of Central and State Government, latter mostly, for resolution purposes. Special emphasis has been given to incorporate industry's perspective on those sectors that are by far worse affected, to which effect, the document is sourced from both primary data collected through personal interviews and secondary information from reports/ publications.

References have been included in annexure for reader's perusal.

SECTION 1:
AGRICULTURE & ALLIED

AGRICULTURE
FLORICULTURE
LIVESTOCK-POULTRY
FOOD PROCESSING



1.1 Agriculture

Agriculture is a growth driver of Punjab's economy. Even today, when mechanization and advent of advanced cultivation methods have reduced the sectors' overall dependence on labour in comparison to the start of this century, the sector absorbs more than 26% of the labour force in the State and accounts for 28.1% of nominal Gross State Value Added (GSVA). Agricultural produce of Punjab, especially rice, wheat and cotton are globally recognized commodities and source considerable foreign credit for the State through export-import (X-I) operations.

Given the nature of agricultural work, governing higher field-days than manufacturing and service industry as well as requiring mobility for marketing and procurement purposes, devastating effect has been borne by farming community and related stakeholders on account of COVID-19 & its induced lockdown. Reverberations have been much stronger and severe as the nation-wide lockdown hit the State a few days ahead of *rabi* harvesting, with the aftermath following in continuance for paddy plantation under *kharif* season. Completely shut in the first lockdown phase, gradual relaxations have been provided to agriculturalists in the following phases and revised guidelines. Nevertheless, bottlenecks still persist and threaten both livelihood of farming community and food security of Punjab. As an example, basmati rice accounted for 12% of Punjab's total exports in 2019-20. This is predicted to be severely affected due to uncertainty hovering around the paddy plantation on account of labour shortage, which shall further impact agricultural earnings and contribution to State exchequer.

In this section, major challenges that are currently affecting agriculture in Punjab are discussed. Suitable suggestions are provided to counter the effect.

Challenges & Suggestions

Challenge 1.	**Exodus of Migrant Labour & Labour Shortage**
Description	One of the main characteristics of agriculture in Punjab is its high dependence on migrant labour from Bihar, Uttar Pradesh and nearby States for fieldwork and *mandi* operations. Due to COVID-19 lockdown, not only has the seasonal migrant labour failed to come to the State owing to transportation bottlenecks and health risk, but non-seasonal migrants who assist farmers in field across the year have also returned to native places. Moving forward, this is expected to impact paddy plantation. • The seasonal labour inflow for rabi procurement runs from the first week of March till first week of April to mid-April. This has been non-existent this time. • Contribution of migrant labour to paddy sowing season is as high as 80% in Punjab; this higher contribution implies higher loss to cover on account of shortage of migrant labour. • *Why can't the farmers use locally available labour?* o Punjab needs 60 lakh migrant labour for rabi season alone (FocusWeb.org, 2020). There just isn't enough number of locally available labourers to fill in the gap. o Wage rate for local labourer is approximately Rs 4,500-5,000 per acre against Rs 2500 per acre charged by a migrant labourer. In the situation as dire as current one, farmers cannot afford the local labour even if willing to employ, due to financial crunch.
Suggestion(s)	Many agricultural stakeholders and individuals close to the matter believe that the State Government should incentivise migrants by offering ensured wage rate along with welfare allowance for staying put. Though a direct countermeasure, FICCI acknowledges the financial burden this shall put on the already pressed State exchequer and understands that this may not be long term solution. Since the migrants are gripped with 'fear of life' over 'fear of livelihood', financial incentive may not be enough to make them stay; there is also no guarantee that a migrant labourer who is attracted by incentive now will not opt out the following day. We alternately suggest,

	1.1 *Facilitating Return of Punjab's Labour* Punjab has its own share of workers that are struck in other States due to lockdown and are willing to return. Till May 05, 2020, about 8739 individuals applied for coming to Punjab from Uttar Pradesh (1838), Bihar (911), Maharashtra (899), Delhi (786), Haryana (710) and Rajasthan (534). This is a combined pool of skilled, semi-skilled and unskilled labour and all may not be compatible with agricultural work. Even so, pacing up return of these and any other Punjabi labourers/workers will relieve some pressure for agriculturalists. FICCI also believes that with active appeal and call for return, more of these can be brought back into the State to plug in labour shortage. 1.2 *Providing marketing and research support for success of crop diversification:* In order to reduce dependency on migrant labour and labour requirement in agriculture, Punjab Government is encouraging farmers to adopt cultivation of less labour intensive crops than paddy. About 10% area under rice cultivation is marked for diversion to cotton, maize and basmati varieties with incremental target of 1.6 lakh hectare, 1 lack hectare and remaining hectares out of 10% area diversion respectively. Though commendable initiative, this would only be a success and see encouraging response from farmers when equally efficient marketing and research measures are set in place. 1.2.1 Punjab Government may enter into partnership with maize-consuming industry including ethanol, corn starch and maize-processors to create ensured maize demand in the market. Poultry is badly hit due to lockdown and the State Government may be required to revive livestock sector first, before mobilizing it for this purpose.[1] For cotton, textile industry may be kept in loop. 1.2.2 E-Marketplaces (both Government run and start-up based) can be leveraged for expanding horizon of maize and cotton sale. 1.2.3 This is also an opportunity for Punjab to reach global standards, especially in quality of maize crop. High aflatoxin level is a major concern hindering its demand in other States and rest of the world. Investment in Research and Development (R&D) needs to be pushed to discover ways to lower aflatoxin content. This may and may not cost more than the direct money transfers to migrant labourers, the impact however will go a long way to encourage crop diversification, promote sustainable agriculture and place the State at a global map for maize. 1.3 *Absorption of MGNREGA Workers in Field:* Punjab Government, under leadership of Capt. Amarinder Singh, Hon'ble Chief Minister, has already reached out to Central Ministry requesting an exemption for the State and permission for cardholders under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) to work in fields during rabi and kharif season of year 2020-21, in light of labour shortage and predicted subsequent output loss. FICCI supports this step and is thoroughly convinced that with right skilling measures (as and if required), MGNREGA workers will be able to cover up a good share of labour gap in the agriculture sector in Punjab.
Challenge 2.	**Bottlenecks in Direct Seeding of Rice (DSR)**
Description	In place of sowing nursery and then transplanting it, Punjab Government is encouraging farmers to adopt Direct Seeding of Rice (DSR) in kharif season this year. As per this method, rice seeds are directly drilled into the field by a tractor-powered machine. • *Insufficient Availability of Pendimethalin:* Though water-saving and less labour consuming, DSR is more prone to weeds, to prevent which application of a pre-emergent herbicide—*Pendimethalin* is necessary within 24 hours of sowing. While Punjab Government is expecting

[1] Challenges being faced by poultry sector covered in detail under 'Livestock' section.

	six times increase in area under DSR this year, approximately up to 3-3.5 lakh hectares, there is only 4 lakh litres of *pendimethalin* available with the State. This will be sufficient to cover 1.5 lakh hectare of land alone. *Can pendimethalin manufacturing companies not scale up production to meet the demand?* o A few chemicals used in production of this herbicide is imported from rest of the world. Due to COVID-19 pandemic, international movement of goods and services has taken a hit. o Indian *pendimethalin* manufacturers are further unsure of placing bulk orders for raw material with foreign companies. This is because direct seeding of rice requires different set of skills and there is no certainty on the herbicides' demand if the farmers find the method too cumbersome to follow. • *Costing of Laser Land Levellers:* Direct Seeding of Rice calls for laser land levelling, which offers two-fold benefits— for one, it improves retention of soil moisture by reducing evaporation in comparison to uneven land; secondly, improved water coverage reduces weed risk, which is high and a major concern in DSR. Though efficient, laser land leveller costs anywhere between Rs 3-4 lakh and is high above budget for most of the farmers in Punjab, reducing accessibility and thus cutting down chances of success of direct seeding of rice.
Suggestion(s)	Though crop diversification is the best bet for reduction in labour demand while also ensuring sustainable agriculture, FICCI acknowledges that it may take some time for farmers to be fully convinced of the benefits of adopting diversification. Until then, for farmers unwilling to move away from rice, direct seeding shall be a viable option. In context to its challenges, following solutions are suggested, *2.1 Mobilizing Pendimethalin Production & Easing Ingredient Movement:* Alongside easing import of basic ingredients of *pendimethalin* from other countries, State Government is suggested to purchase/guarantee purchase of initial stock of this herbicide to ensure manufacturers a certain demand level in the market and provide surety on their investment on production. The guaranteed/purchased stock can further be supplied/sold to farming community through agencies. By means of it, Punjab Government will be able to turn the wheel of *pendimethalin* production which may run on its own as more farmers adopt DSR technique and place demand for the herbicide. *2.2 Training Support to Farmers:* In order to help farmers understand the intricacies of direct seeding of rice, State Agriculture Department jointly with Punjab Agricultural University (PAU) and other related agencies and institutions may initiate training camps/sessions at district level. This may be done by segregating districts on the basis of concentration of paddy plantation and target of DSR promotion; those with high concentration may be kept first on list for campaigns/camps, thereon moving down to lesser concentration districts to ensure complete coverage. *2.3 Promoting Custom Hiring Centres for Laser Land Levellers:* The concept of Custom Hiring Centres has been extensively explored by Agricultural Ministry for promoting affordable access to cutting edge technology among farmers (The Hindu, 'Uber for tractors': Goverment to launch app to aid farmers, 2019). For easy facilitation, National Informatics Centre (NIC) has enabled both national level (example) and State-specific (example) android applications for custom hiring of agricultural machinery and equipments. The same may be leveraged for promoting custom hiring of laser land levellers among Punjab farmers as well.

1.2 Floriculture

About 2000 hectare (4900 acres) of land is under floriculture in Punjab. Dominating in adoption of flower cultivation in the State are small and marginal farmers, most of which were driven by the benefits of diversifying with cut flower and flower seed varieties including rose, carnation, chrysanthemum, gladiolus, marigold and lilies, that have high exchange (trade) value and ripe prospects in domestic and international market, under crop diversification efforts of Government of Punjab. Floriculture in the State is practiced under open and protected cultivation. Two of the flowers – marigold and rose are prominently grown in Ludhiana and Patiala. In additional, Amritsar, Hoshiarpur, Jalandhar and Mohali are major areas under marigold, while Fazilka is another district where rose cultivation is actively undertaken. Gerbera, rose, chrysanthemum and lilium are also suitably cultivated under polyhousing structures in Ludhiana, Amritsar, Patiala, Hoshiarpur, Moga and Fatehgarh Sahib. (Times of India, Coronavirus takes colours out of blooming business in Punjab this spring, 2020)

Hitting floriculture during peak plucking season, COVID-19 pulled its growth prospects and confidence among farmers back by years. Both domestic and international demand witnessed freefall and at current rate, stands at nil. Due to this, floriculturists have been forced to take extreme measures such as getting rid of the flowers by selling these as cattle feed at throw-away prices and ploughing fields without plucking, crushing the flowers in process, as there is no demand for these and plucking/storage is 'too cumbersome' to follow in absence of any return. This is also expected to reverse crop diversification progress as many farmers may shift to vegetables and even back to wheat-paddy rotation, given the inadequate infrastructure and unassured market for flowers.

This section gives an insight into such challenges and recommends potential solutions for Punjab Government's review and action.

Challenges & Suggestions:

Challenge 1.	**Market Closure & Nil Demand**
Description	Religious congregations, social gathering and rituals are the main demand sources for marigold, rose and other such flowers. As per restrictions imposed during lockdown, all religious places/temples/gurudwaras had shut and social event were cancelled across spectrum. Hotels and event management companies too closed operations and cancelled pre-placed orders, wiping out the flower market in a single go. *Navratas*, which generally drive flower sale in March-April, were also a low affair this time around, further leaving no room for floriculturists to cover up for losses by selling off whatever marginal quantum of the bloomed stock possible. • About 42.5% of floriculturists who participated in FICCI survey on COVID-19 impact on floriculture in Punjab reported no sale of flower as the foremost concern during lockdown, 22% had it as the second most affecting issues. • Absence of any marketing channel was placed as the second most pressing concern which, respondents remarked, restricted the flower growers' scope of finding right channels and collaborators for flower sale.
Challenge 2.	**Logistical Bottlenecks**
Description	Due to COVID-19, all inter-State and intra-State movement of goods and services were stopped except for essentials. Not falling in essential category, even if the demand side had kept constant, it would have been impossible for flower growers to manage supply of produce to traders and households. This point is especially relevant considering that Punjab's flowers are supplied to markets in Chandigarh, Jammu and Ghazipur in Delhi. Some stock is also delivered to Jaipur and

	Lucknow. Without permission for transportation, orders from these places would not have had any benefit since meeting demand would be infeasible.
Suggestion for 1 & 2	Both market closure and logistical bottleneck are issues that have stemmed out of a common and much deeper concern— unstructured floriculture market. FICCI believes that floriculture, through recognized as a sunrise industry and an emerging segment within agriculture and allied sector, has failed to receive adequate attention from both Central and State Government. • A latest proof of the fact is that under none of the original and revised guidelines of all four lockdown phases was exemption offered to flower cultivation, while its counterparts— agriculture, horticulture, fisheries, livestock and even bee-keeping and forestry were all considered essentials and allowed operations and transportation during curfew. • There is also a dearth of concrete framework for cultivation and post-cultivation operations of floriculture, as exists in case of agriculture and livestock farming. Procurement markets are undefined, floriculture value-chain unidentified and supporting processing industry under-developed. No incentives are marked for flower processing industry to set up base or start-up and absorb produce in-State. No policy has been drafted to govern the growth and development of floriculture in Punjab. FICCI calls for laying a strong foundation for floriculture in State by developing it as a sector from scratch. On this note, following are suggested, 1. *Stakeholders' Identification/Scoping:* Complete domain information by means of a stakeholders' identification or a scoping exercise is recommended. Punjab Agricultural University has already brought Punjab's floriculturists together by means of an online group through which flower cultivation, processing and related knowledge is shared with these flower growers. There is now a need to expand the scoping by adding segments related to marketing and sale, flower seed and processing industry (in case wherein flower grower is not processing at his/her own level) can also be brought into the fold. This will enable the State Government make an accurate assessment of the floriculture status, scope, value-chain requirements in Punjab. 2. *Development of Floriculture Policy of Punjab:* A standalone floriculture policy for the State is imperative to set clear vision for development and growth of this sector. Based on the scoping exercise, the State Government will be able to synthesis the current standing of floriculture and chalk out short term and long term action plan for pursuance. This will also give a formal backing to the expansion of flower-processing industry in the State.
Challenge 3.	**Lack of Processing Machinery & Technical Know-How**
Description	Given the massive quantum of flower stock available against absence of any demand, non-farming stakeholders including Government have been encouraging flower-growers to process these into products such as *sharbat*. *Why isn't the idea of processing flower stock feasible?* • Not all flower varieties can be processed, an example being English rose.

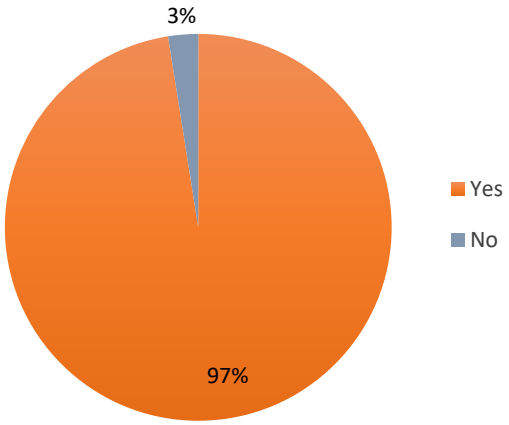
	• Processing machines are also not readily available to majority of these flower growers. This is backed by the result of FICCI survey wherein respondents positioned lack of availability of processing machinery as third most problematic area, right after no sale/market and lack of proper marketing channels. • About 7.5% of these respondents also shared that they had no knowledge/technical know-how/training in operating such machines, disabling them for having processed the stock even if machine was available.
Suggestion	3.1 Custom Hiring Centres (CHCs) can be leveraged to make flower processing machinery available for hire by local floriculturists. 3.2 Owing to bad finances of these farmers, FICCI requests Government of Punjab to support with a specific number of machines, sponsored either through its own exchequer or facilitated in collaboration with/through CSR initiative of machine manufacturers in the State. 3.3 A guide in vernacular language combined with online training material for flower processing can be released by State Horticulture Department in support with Punjab Agricultural University and other experts. On-ground sessions may as well be explored once the situation normalizes.
Special Mention:	
1.	Shortage of labour existed in floriculture too this plucking season. Apparently, it was not one of the primary concerns for flower growers in the State and found only a single mention in FICCI survey. Though it may seem confusing, it makes sense when viewed in this perspective: because the markets were closed and sale had fallen to zero, there was no 'urgency' of plucking flowers. In this scenario, employing labour for work in field was unnecessary and would have been a case of cost incurred with complete knowledge of negligible possible return. Thus, demand of labour reduced as much and more than reduction in supply of labour in flower fields in Punjab.
2.	Within floriculture, flower-growers who had adopted protected cultivation technique such as polyhouse had to bear a deeper brunt than those cultivating flowers under open conditions. This is because setting up a polyhouse demands heavy investment, costing anywhere between Rs 300,000 to Rs 400,000 per acre and requiring regular maintenance in terms of replacement of poly-sheet and upgrading the structure. In comparison, open cultivation requires an investment of Rs 50,000 to Rs 100,000 per acre (The Hindu, COVID-19 impact hit floriculture market, 2020). As returns were nil this season, polyhouse cultivators faced higher losses than open cultivators of flower in Punjab. These cultivators are majorly those who stated in FICCI survey their willingness to shift to other crops, mainly rice and vegetables. FICCI understands that this loss may discourage not only flower-cultivation but also further investment in polyhouses due to higher stakes, and hereby suggests weighted incentive for these cultivators.

FICCI SURVEY: A GLIMPSE

COVID-19 IMPACT ON FLORICULTURE IN PUNJAB

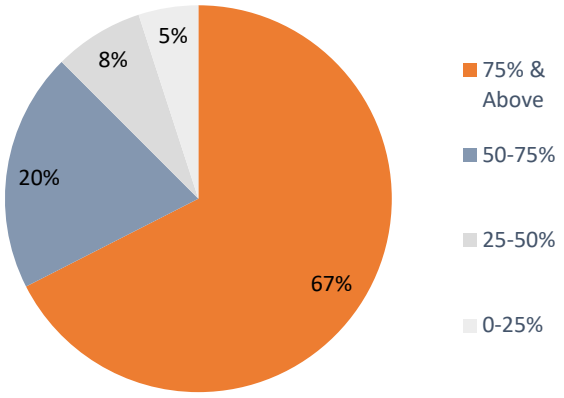
FICCI conducted a survey to evaluate the pandemic's impact on floriculture and livelihood of floriculturists in Punjab, in April-May, 2020. Simple random sampling was adopted to identify respondents in the State and primary data was collected by means of a well-designed questionnaire, recording general information along with respondents' inputs on quantum and percentage of income loss, expectations and trends, challenges being faced and suggestive measures. Some of the results are as under,

HAVE YOU FACED INCOME LOSS DUE TO COVID-19?



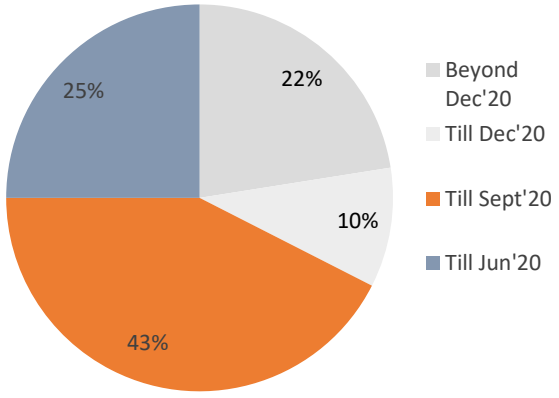
An overwhelming 97.5% respondents (all floriculturists practicing in Punjab) responded to have witnessed income loss due to COVID-19 and

WHAT PROPROTION OF INCOME LOSS HAS BEEN FACED?



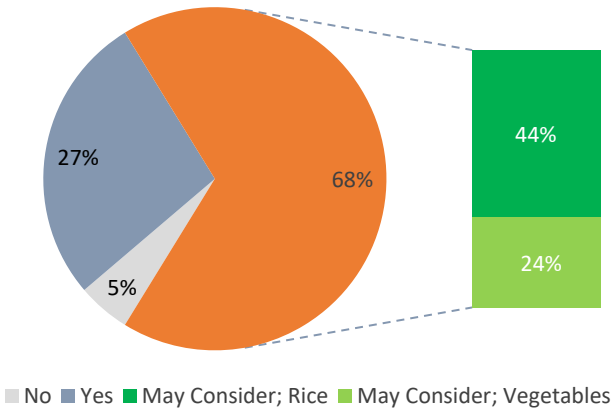
About 67% of respondents agreed to have faced a massive income loss of 75% and above, followed by 50-75% income loss borne by 20% respondents. Only 8% and 5% witnessed 25-50% and 0-25% income loss,

FOR HOW LONG DO YOU THINK LOCKDOWN'S EFFECT WILL LAST?



Most respondents expected the aftereffects to last short-term (25%) to mid-term (43%). Only 10% and 22% believed that the aftereffect would stretch till Dec'20 and beyond Dec'20 respectively.

ARE YOU THINKING OF SHIFTING FROM FLORICULTURE TO SOME OTHER CULTIVATION?



About 27% of respondents expressed desire to shift to other crops and 68% were willing to consider the proposition in case of no relief, out of these 44% would consider rice as alternative. Only 5% respondents said that they will stick by floriculture.

1.3 Livestock

Holding a share of 10.01% in Punjab's Gross State Value Added (GSVA), livestock is a significant contributor to the State in context of food security and livelihood. At 7.51% (2011-12 Constant Prices), this sub-sector has managed to register the highest annual growth rate within agriculture & allied, which itself grew at 2.34% in 2018-19. In terms of the impact of ongoing health crisis on livestock, results have been devastating and all three categories— animal husbandry, dairy and fisheries have faced an unfortunate fate. The loss has been both on account of operations and supply chain disruption, as well as averse demand dynamics caused by fear psychosis, further triggered by an unfounded assumption that consumption of egg and meat increases infection risk. Ever since these rumours, prices of egg and meat have touched rock bottom, so much so that it has been difficult to cover basic animal care which has led the farmers to consider culling their birds/cattle.

As poultry is the worst affected segment, this section focuses on challenges being faced by poultry farmers and make suggestions for improving the situation.

Animal Husbandry-Poultry

Punjab has a little more than 500 poultry farms that house about 167.9 lakh birds. Barnala is the biggest poultry belt in the State with about 50% of such farms and nearly equal bird proportion. Some 400 broiler farms do also operate in the State and rear birds for meat purposes. A deep penetration in household diet routine has played a double edged sword for poultry; while it generated regular demand stream during normal times, given the rumours that have caused individuals to reduce egg and meat from their diet, poultry has also become more exposed to uncertainty than any other segment within livestock. It is also important to note that this reversal in demand started in February during the initial phase of the virus in India and week before lockdown. Considering that poultry also has network running back to feed manufacturers, and through them, to maize and soybean farmers, any ill-effect borne by poultry farmers will ripple through its network too.

Challenges & Suggestions

Challenge 1.	**Low Demand for Poultry/Reduced Prices**
Description	Misinformation on the co-relation between poultry consumption and COVID-19 wiped the demand clean for poultry farmers in Punjab. Government of Punjab, experts from PAU and GADVASU along with other poultry stakeholders have undertaken measures and reached out to social/print/electronic media for clearing the air over this. As a result, a slight recovery has been witnessed in demand, this however is nowhere close to the demand or prices of pre COVID-19 times. As eggs pile up in farms, farmers have taken to selling off the produce at whatever best price possible, which is often meagre in comparison to previous rates. • Early March, 2020 witnessed a 50% contraction in poultry demand, pushing the wholesale price per egg to Rs. 2.60-2.80 against cost of production of Rs 4.25 per egg. Wholesale price of broiler similarly fell by 43-64%. At Ludhiana, Sangrur and Barnala, price of a live bird went from Rs 70 per kg to Rs 25-40 per kg. As cost of production was more than selling price for both eggs and broilers, the business become unviable and sentiments changed from profit earning to loss reduction. • In early April, 2020, prices of eggs and broilers crashed by up to 30% in Chandigarh-Mohali area. Chicken broilers were sold for Rs 160 against Rs 220 earlier in March; price per egg too fell from Rs 5 to Rs 3 (Rs 150 per tray or 30 eggs to Rs 90 per tray or 30 eggs). • Hotels, restaurants and *dhabas* are the source of maximum demand of poultry in the region. These remained shut in the initial phase of lockdown, eliminating a major proportion of demand in one go. Later on, even when roadside *dhabas* were permitted to operate, due to logistical concerns, poultry farmers failed to tap on this.

Challenge 2.	**Input Related Bottlenecks**
Description	Poultry farming calls for consistent animal care, bare minimum of which is providing high-protein feed and ensuring regular medicines. The latter is also necessary to prevent any disease among birds. Unavailability/inaccessibility on account of high prices and supply chain bottlenecks have prevented these from reaching the birds. • Poultry feed mainly consists of maize, *bajra*, soya extracts, groundnut extracts and rice bran. Over the span of 6-8 months, their prices have multiplied, thus making feed more costly and outside reach in the times when poultry business is barely staying afloat. • Raw material for feed is sourced from Rajasthan, Madhya Pradesh and Gujarat. Due to inter-State and intra-State movement bottlenecks, poultry feed manufacturers have been unable to procure sufficient raw material for feed production. This has reduced the supply of poultry feed in the market, further increasing prices. • *How has unavailability/inaccessibility of inputs affected poultry?* Poultry farmers have replaced high-protein feed with calcium diet, which has adversely affected bird growth. Broiler farmers in Sangrur district have reported 600 grams as the birds' average weight while it should have been 1kg to 1300 grams. Placing this as a quality loss, these farmers are selling broilers at throw-away prices. Farmers have approached State Animal Husbandry Department requesting for permission to cull birds, reasoning that they are anyway dying of starvation and in absence of medicines, may contract diseases.
Special Mention:	
1.	More than 1 crore birds are exposed to possibility of culling in Punjab. As long as poor conditions including low protein diet and absence of medicines continue, chances of diseases such as bird flu shall increase by passing day, threatening the State of a massive reduction in bird population. It shall also imply steep fall in poultry feed demand. This impact the livelihood of feed manufacturers, while also reducing demand for raw materials such as maize, soybean, *bajra* etc. As a result, the farmers engaged in production of these shall suffer.
Suggestion(s): FICCI has recently submitted a representation to Government of India, suggesting financial measures to support poultry farmers at PAN-India level. Besides those, we believe that a few solutions can be implemented at full scale by State Government and hereby request your kind consideration on the following recommendations.	
1.	*Positive Marketing:* FICCI anticipates that the demand slump will not improve on expected level unless the misconception of eggs and meat being capable of increasing infection risk is cleared. As State Animal Husbandry Department is the focal point that connects all stakeholders – farmers, experts, poultry associations and allied groups, we request the Department to undertake a State level campaign for correcting the fear psychosis. Electronic, print and social media can be harnessed for this purpose.
2.	*Transportation Support for Raw Material/Feed:* Railways and Roadway Buses may be employed to assist in transportation of raw material from other States to feed manufacturers and feed to poultry farmers in Punjab. This is imperative on the ground that neither farmers nor feed manufacturers shall be willing to spend on transportation especially when there is no surety of demand in market. This measure will also ensure that they do not fall victim of any undue harassment while the supply is on move in other States.

1.4 Food Processing

Strong agricultural heritage has developed vital linkages for agri-food and food processing industry in Punjab. The State was already blessed with ample availability of raw material—grains, fruits & vegetables, honey etc; a robust infrastructure has been put in place to support processing of these raw materials for generating higher value-added products. Under Mega Food Park scheme of Ministry of Food Processing Industries (MOFPI), International Mega Food Park Ltd with an investment of Rs 130 crore in Fazilka and a Food Incubation Centre including Food Testing Centre with project cost of Rs 177.61 crore in Ladhowal Mega Food Park has been made operational. Last of the three approved projects, Sukhjit Mega Food Park & Infra Ltd is in pipeline with a project investment of Rs 123.72. Punjab also has to its credit 40% share of the total warehousing and storage capacity in India. Due to all these factors, small and large processing clusters have developed across districts in the State. Major ones are— rice milling cluster (Amritsar, Ludhiana, Patiala, Sangrur, Batala, Ferozpur and Kapurthala), fruits & vegetable processing (Amritsar, Jalandhar, Ludhiana, Patiala, Rupnagar and Sangrur), milk processing (Ludhiana, Jalandhar, Moga, Patiala, Sangrur, Fatehgarh Sahib), Potato Processing (Fatehgarh Sahib, Hoshiarpur, Jalandhar, Ludhiana, Sangrur), meat processing (Barnala and Jalandhar) and snacks processing (Moga, Patiala and Sangrur). (Ministry of Food Processing Industries, MOFPI, n.d.)

Essentials such as rice have witnessed more or less constant demand, if not more, even in lockdown. Rice millers do however anticipate a change in individuals' consumption from high cost-high quality rice to less-quality rice that costs less, in order to adjust to reduced income level. Essentials are also those products whose demand is majorly driven by retail. For non-essential items, such as dressings, a short-term demand contraction is in books. The segment has already recorded order cancellations from food outlets, restaurants and cafes which have lost more than two months of earnings. Minor but necessary demand recovery from these outlets is expected as they gear up for home delivery and take-away. At a global front, order cancellations have been encountered by the rice milling industry. With this said, major COVID-19 related challenges that plague the food processing industry in Punjab are supply-sided, logistics and input-related.

Challenges & Suggestions.

Challenge 1.	**Labour Shortage & Movement Constraints**
Description	Rice mills and other essential producing processing units received permission to operate early on during lockdown. The industry however couldn't meet its minimum required number of labour not only for working in factories but also for transportation of goods and other activities, because of the following reasons, • *Exodus of Labour & Unwillingness to Work:* A good proportion of labour employed in rice and other mills are migrants from rest of the States, majorly Bihar. With labour moving back to native places, a glut in labour availability was already created. The processing units further suffered on account of unwillingness of locally available labour to work. Most of these labourers feared virus transmission and were resistant to the idea of returning to factories. • *Movement Constraints:* Government of Punjab had put a pass issuing mechanism in place to ease movement of individuals, business owners and workers for essentials in the State during lockdown. Despite of possessing a pass, business activities were pushed back on account of movement difficulty. o Stocks in transit were stopped for unduly long hours, workers involved in transportation and/or moving to reach to factories reported harassment under the pretext of checks and verifications. While Government of Punjab has removed requirement of passes for business activities vid order no. dated, harassment fear still lingers on with labour force on account of lack of information and misinformation.

	o On another hand, inter-State and inter-district movement has also not resumed as expected.
Suggestion(s)	*1.1* *Pacing Movement of Returnee Labour:* Reference to suggestion (1.1) under 2.1 Agriculture, FICCI strongly believes that pacing movement of returnee labour will ease some burden off the industry and enable a bandwidth to operate, even if not at business-as-usual, until the situation improves. As factories operate, it will also be easier to persuade migrant labour that is registered for return to native State reconsider the movement by enabling them explore employment option in these units. *1.2* *Information Dissemination through Employment Exchanges/Offices:* Regular and simplified updates on restrictions, Standard of Procedure (SOP), and related areas of interest through employment exchanges/offices will help in ruling out lack of information and misinformation among labour force. This may enable the industry persuade workers to join factories and resume work. *1.3* *Inter-State and Intra-State Movement:* Government of Punjab has ruled out any inter-State movement until May 31. Though the apprehensions around virus transmission through movement is understandable, any further extension to this restriction will only hit the movement for business activities hard. It is therefore suggested against any such extension; if required, phased withdrawal of inter-State movement could be adopted and essential product/services providers could be given permission for movement of products/services and labour for smooth functioning.
Challenge 2.	**Order Cancellations & Cash Flow Disruption**
Description	• Punjab contributes more than 50% of India's annual export of 40 lakh tonne basmati to other countries. Even before lockdown, the State was concerned over failing mandatory testing and certification of inspection on account of high pesticide residue, causing stock rejection by country at receiving end. The situation has only gone worst due to lockdown. Rice export has hit a complete standstill on account of restrictions at international borders. Orders that were received before lockdown have almost all been cancelled, resulting in an alarming stock of unsold basmati with exporters, further disrupting the cash flow. • Processing units of non-essential products have recorded cancellations due to business disruption at clients' (food outlets, secondary processing industry etc) end.
Suggestion(s)	Given the limited cash flow with food processing industry, both relief from current taxes/liabilities as well as release of outstanding shall be imperative. *2.1* *Market Fee and Rural Development (RDF) Refunds* *2.1.1* Around Rs 100 crore of refunds pertaining to market fee and Rural Development Fund (RDF) are pending with State Government. FICCI requests the Government for it immediate release of these refunds as these would provide a wider bandwidth to processing industry for paying off salaries, other fixed cost and bills while also ensuring some capital for reinjecting in operations. *2.1.2* Waiver of market fee and RDF for at least one year for basmati rice is also recommended to provide some relief to processors. *2.2* Further, waiver of bank interest on loans for at least till December 2020 shall give required relief to the industry. 2.3 Gunny bag dues from as long as 2006-07 to 2013-14 of Punjab Rice Millers Association are pending with State Government. An immediate release is requested for these.

SECTION 2:
MANUFACTURING

TEXTILE & APPAREL
SPORTS GOODS
BICYCLE & BICYCLE PARTS



2.1 Textile & Apparel

Punjab is a leading hub of apparel, spinning, cotton and woollen textile as well as hosiery exports. The extent of textile sector's integration within the State can be gauged from the fact that about 23% of total production across industries in Punjab is textile-based and the sector contributes 38% to State's total export pool. Equipped with rich resources, strong manufacturing ecosystem and progressive policy framework, Punjab is the second largest producer of cotton and blended yarn with 70% best quality cotton production in the country. It also has the fourth highest (5.9% of total) spinning capacity in India, while also ranking first in woollen knitwear production (95% of India's share) and hosiery manufacturing (65% of India's share).

Textile sector has witnessed record demand and production shrinkage as a result of COVID-19 pandemic & lockdown. Due to abysmally low working capital and weak financial stability, mass lay-offs and high margin salary cuts have been adopted as means to survive through the crisis. Among its segments, apparel is clearly the most affected and is staring at 12 month worth revenue loss as not only are the current orders affected but the segment anticipates the trend to continue until and unless consumers' disposable income normalizes to generate sufficient domestic and international demand for production.

Segment wise impact of COVID-19 is as follow,

	Impact on Availability of Raw Material	Impact on Domestic Demand & Production	Impact on Exports	Impact on Working Capital
	High Dependence/Correlation=High Exposure			
Cotton Fibre	Unsure	High	High	Medium
Yarn	Medium	Medium	High	High
Fabric	Medium	High	Low	High
Apparel & Garment	Medium	High	High	High

Impact on Cotton Fibre:

- *Raw Material:* As cotton harvesting season is yet to arrive, the impact of pandemic on availability of cotton as a raw material for fibre processing cannot be predicted as of now.
- *Domestic Demand & Production, and Exports*: Production of Cotton Fibre has witnessed a strong downward pull. This is on account of both demand contraction in domestic and international market, as consumers focus more on necessities/essentials, and due to supply chain disruption. Globally, a number of orders have been cancelled. Therefore, both impact on domestic and international market is high.
- *Working Capital:* There are however issues in working capital availability due to disrupted operations, constant fixed cost and negligible income.

Impact on Yarn:

- *Raw Material:* Fibre is the raw material for yarn. Contraction of fibre demand has induced the manufacturers to churn out less in order to avoid stocking. However, since the fibre manufacturing is only impacted from demand side and not because of unavailability of cotton, the overall impact on availability of fibre as a raw material for yarn shall be medium and not high.
- *Domestic Demand & Production:* In a forward linkage, yarn is also a raw material for fabric. Less demand of fabric has induced less demand for yarn as a raw material, affecting its domestic production.
- *Exports*: Yarn has high export rate and is thus more exposed to global demand change. As movement is restricted across international borders and disposable income has shrunk with international clients, demand of yarn from other countries has contracted too.
- *Working Capital*: Much to the credit of high exposure to global demand contraction, stocks of yarn has piled up with manufacturers, cutting through their earnings and causing working capital to touch an all-time low.

Impact on Fabric:

- *Raw Material:* Low yarn processing translates to low raw material availability for fabric. But as the pandemic's impact on yarn production is only medium term, raw material disruption for fabric is medium term as well.
- *Domestic Demand & Production:* About 95% of fabric consumption is domestic. Low demand for apparel, which consumes fabric as a raw material, has reduced domestic demand and consequently production of fabric as well.
- *Exports:* With only 5% exposure to international market, impact of COVID-19 on fabric exports due to change in global demand is low.
- *Working Capital:* Working capital has definitely been hit, most of it due to contraction in domestic demand and production. There is also an issue of decentralized manufacturing to as high as 96%, further affecting working capital availability.

Impact on Apparel:

- *Raw Material:* Though availability of raw material for apparel is impacted due to low production of fabric, none the less, except for a few specific fabrics, trims and accessories, the situation is not dire. Thus, the impact is expected to clear out in a longer run.
- *Domestic Demand & Production:* COVID-19 has flattened the demand curve for apparel in more than one ways.
  - As individuals are improving their spending pattern to accommodate in the reduced available income, apparel being a non-essential is not a priority purchase and thus, has witnessed alarmingly low demand.
  - It is also important to note that a large proportion of apparel is retailed and drives demand from online stores. As retailers are prioritizing commodities for order to prevent stock pile up, no much demand has been made for apparel.
  - On another hand, ecommerce players have recently been permitted supply of non-essentials. However, this will only enable the apparel players to clear out the existing stock. For new stocks, apparel industry needs to be sure of demand and supply-chain efficiency, both of which are unstable at this moment.
- *Exports:* Apparel industry receives international orders for summer clothes in February-March, for delivery in May-June. Under the current circumstances, more than 60% of international orders have already been cancelled while others have been put on hold. There is also no clarity on whether the client will be keeping up with the demand until the situation normalize, in case that doesn't happen, order cancellations may go up to as high as 95%.
- *Working Capital:* Large scale order cancellations, both domestic and international, has resulted in severe cash crunch in apparel industry.

**Information collated from personal interview with industry and supported with secondary sources including KPMG report 'COVID-19: Mitigation strategy for Indian textile and apparel sector'*

Special Mention

1.	Garment retailers and traders are expecting the sales to shrink by 50% for the next 3 months. Due to this, the industry players are sceptical of initiating fresh production, especially when the existing stock is unsold and there is no certainty that the market will not contract any further from 40-50%.
2.	It is a reality that textile and apparel sector is witnessing labour shortage. Similar to floriculture in Punjab, as factories are downsizing and putting a cap on any further production, demand for labour has flattened out. The industry may however feel the pressure of insufficient labour as operations resume and businesses gear towards normalcy. According to the past few weeks' business trend, it is predicted to take at least a quarter for that to happen.
3.	Business unviability of textile and apparel sector, which is a major employment generator in the State, is sure to pulsate unemployment rate by putting jobs of many at risk. So far already, salary cuts to as much as 50% have been announced by the sector. Lay-offs have been pursued wherever highly essential to maintain business continuity. As these employees are also consumers in open market, including that of textile and apparel, another layer of demand contraction is envisaged.

Diversifying to Fight COVID-19 Woes: Textile Industry Emerges as PPE Manufacturing Hub

Textile industry was rendered completely inactive at the wake of COVID-19. As supply chain was disrupted and there was negligible demand due to textile not being an 'essential' commodity, the industry lost all hopes of earning at least until the lockdown was lifted. During the same time, there was a spike in demand for Personal Protective Equipment (PPE) kits, hazmet (hazardous materials) suits, gloves and other medical supplies due to increasing patient count as well as for frontline workers and officers stationed on ground for ensuring adherence to lockdown. Connecting the dots, Punjab Government involved the textile and technical textile segment for manufacturing these kits and protective gears. Within a span of 7-10 days, textile units had manufactured samples of hazmat suits, which successfully passed mandatory tests at South India Textile Research Association (SITRA) in Coimbatore and were approved for mass manufacturing. Once that happened, large orders from Central Government Organizations like HLL started pouring in to the tune of several hundred crores.

The initiative turned out to be a massive success. The State Government managed to save an industry segment from fallout while also ensuring adequate supply of these medical essentials for healthcare professionals and others both in Punjab and outside it. In fact, at current standing, Punjab has emerged as the second largest manufacturer of PPE kits and protective gears at a global level, after China. The industry is now also exploring options of exporting these medical essentials to rest of the world.

Unfortunately, even with the success of this initiative, losses have been pertinent. With closure of wholesale and retail market, apparel manufacturers are staring at mounting bills with no revenue inflow. Small weaving units are too hit and do not possess sufficient cash reserves to be able to afford inactivity of this long a duration. FICCI acknowledges the business critically of these segments and puts forth the following recommendations for State Government's action.

Suggestions

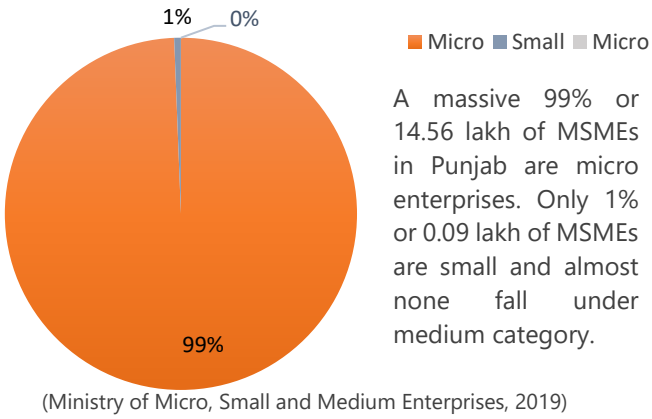
Suggestion 1.	**Enhanced Protection to Domestic Industry**
Description	About 40% demand contraction is expected in apparel segment. This may further worse if more is imported from rest of the world, especially Bangladesh wherein the production cost is 15% less and thus prices are lower. In order to give a level playing field to the domestic industry and ensure a speedy recovery post lockdown, a temporary additional COVID duty on import of garments is suggested for the period of a year. This may as well be applied to those countries with whom India has a zero-duty agreement.
Suggestion 2.	**Financial Support**
Description	Apparel industry has lost out on the summer season for sale and is anticipating an aftereffect of lockdown on pre-fall season too. Even so, the industry would have to be prepared with at least some inventory to be able to cater to the orders for pre-fall and fall season. Given the current financial standing, investing for the upcoming season's inventory would be a challenge without financial support from Government. In this context, FICCI suggests in favour of, 2.1 Waiver of GST for at least 6 months 2.2 Electricity, water and related bills may as well be waived off for the duration of lockdown and further for 6 months 2.3 Bank interest on existing loans should also be written off in backdrop of the unforeseen circumstances. Even if the industry makes an income recovery in next 6 months, the earnings will be needed to stabilize operations.

2.2 Micro, Small & Medium Enterprises (MSMEs)

According to NSS estimates (73rd round) published in its Annual Report 2018-19 by Ministry of Micro, Small & Medium Enterprises, about 14.56 lakh MSMEs excluding that of UT Chandigarh operate from the State of Punjab. These enterprises are source of livelihood for over 24.80 lakh workers that are employed in factories including but not limited to that of auto components, agriculture implements, bicycle & bicycle parts, hosiery, hand tools, sports goods etc.

ESTIMATED NUMBER OF MSMEs IN PUNJAB

Category-wise (In Lakh)



A massive 99% or 14.56 lakh of MSMEs in Punjab are micro enterprises. Only 1% or 0.09 lakh of MSMEs are small and almost none fall under medium category.

(Ministry of Micro, Small and Medium Enterprises, 2019)

These enterprises are characterized by low level of savings and thus, are most vulnerable to operation or cash flow disruptions. As COVID-19 casted more than two months long lockdown with aftereffects expected to be lasting anywhere between 3 months to 1 year, survival of MSMEs has become a major concern for Government and enterprises alike. Many have been stripped of the limited amount of available cash as a result of consistent fixed cost spending. According to estimates, a loss of Rs 4,169 crore has already been incurred since the middle of March by MSMEs in Punjab. Average loss per unit in Ludhiana, which has diverse cluster of MSMEs including bicycle and bicycle parts manufacturing, has been calculated to be Rs 1.9 lakh. Many industry members, being unable to afford the loss, have been forced to shut shops and move out of business.

This section provides information on the challenges being faced by major MSME clusters in Punjab—sports good and bicycle & bicycle parts manufacturers. Recommendations drafted on the basis of industry interaction have also been made for kind review of State Government.

Sports Goods Manufacturing

Jalandhar in Punjab has established itself as a leading sports good manufacturing hub. The city is home to a wide nexus of big, small and micro industrial units that account for nearly 70% of India's total sports good production and 55-60% of the total exports. In terms of trade, Jalandhar sports good industry is both a supplier to global brands such as Webb Ellis, Reebok, Puma and Slazenger and a direct seller under local brand names. Being labour-intensive, about 10,000 workers are directly and 40,000 workers are indirectly absorbed in manufacturing and distribution of products including footballs, cricket bats, hockey and cricket balls, hockey sticks, tennis, badminton and squash rackets, balls, soft leather goods and shuttlecocks. Internationally, United Kingdom (UK), Australia, South Africa, Germany, France, Netherlands and New Zealand are the most expansive markets for the city's sports products.

Not coming under essential category, sports goods units in Punjab have remained shut and manufacturers have lost two month worth production and sale due to COVID-19 pandemic. Mass orders for sports goods are driven through national and international tournaments including Indian Premier League (IPL), Hockey National Championships etc. As no such event is anticipated to take place at least in 3-6 months' duration in light of social distancing norms, prospects for recovery seem bleak for the industry. While many industry players have already moved out of business, the situation threatens many more of bearing the same fate. Common sentiment that prevails is that it will take 1-2 years to reach at business-as-usual.

Some of the main challenges being faced by sports goods manufacturers are covered in this section. Suitable recommendations have been made for supporting industry in this need of hour.

Challenges & Suggestions[2]

Challenge 1.	**Demand & Cash Flow Contraction**
Description	March-October is the peak season for receiving orders for sports goods as a number of national and international sports events are scheduled in this time-frame. Due to pandemic, not only has the industry not received orders from this segment, but those which were already received from domestic and international clients as well as educational institutions have also been called off at a large scale. This has critically affected revenue inflow. On other hand, goods manufacturers have been incurring regular cost of labour, electricity and water bill etc, which has also depleted existing cash reserve to the level that the industry is unable to put aside money for fixed expenses any longer. According to sports goods cluster, the industry is easily facing business loss of Rs 2-3 crore each day. 1. Delayed payments from private sector clients who are unable to pay for delivered orders due to lockdown affecting their resources and ability to pay. 2. Delayed payments from Government, both in terms of delivered orders and GST refunds.
Suggestion	FICCI understands the severity of the financial crisis that is gripping these MSMEs and suggests the following liquidity enhancement measures. *1.1 Release of Pending Payments:* *1.1.1 Release of Outstanding:* Payments pertaining to orders by private clients and Government are pending. Sports goods industry is skeptical of private clients' capacity to pay as their businesses are too affected, in case of which, the only hope is payment clearance from Government. FICCI suggests that the payments to the manufacturers related to Government tenders/orders should be expedited. *1.1.2 Release of GST Refunds:* GST refunds of sports goods industry are also pending with the Government. These should also be sanctioned on urgent basis. *1.2 Reducing Income Deductions:* 1.2.1 *Tax Waivers:* Taxes including water sewerage tax, property tax, professional tax, labour welfare tax, license renewal charges and maintenance charges should be waived off for the period of lockdown. The waiver should also be extended for at least 6 months hereon in order to give a breather to manufacturers. 1.2.2 It is also suggested to postpone land enhancement fee.
Other Suggestions	
1.	The Government should consider increasing percentage of MEIS license incentive for at least FY 2020-21.
2.	Free ECGC support should be provided at least for this year as the business will face a lot of uncertainty and needs a cushion to stay afloat.
3.	To ease the liquidity in the market, the Government should enhance the CC Limit by at least 30% on ad hoc basis for at least one year.

[2] Suggestions as the basis of interaction with sports goods industry

Bicycle & Bicycle Parts Manufacturing

Punjab is the largest manufacturer of bicycle and bicycle parts in India, contributing 92% and 75% to India's share respectively. Globally, it is second in quantum of manufacture only to China. Within the State, Ludhiana is the main hub for bicycle and bicycle parts manufacturing as it houses around 14,000 such units and employs 400,000 individuals in the manufacturing process. The annual turnover of bicycle and bicycle part industry is Rs 6,900 crore, about 79.7% of which (close to Rs 5,500 crore) is driven from domestic sales. A high-tech cycle valley project with area coverage of over 383 acres is in pipeline at Dhanansu village in Ludhiana. The project will not only cater to 50% demand of cycle production in India and Europe, but is also designed to generate employment opportunities for more than 1,000 individuals.

Bicycle and bicycle parts do not come under 'essentials', causing the manufacturing units to remain shut for about two months due to lockdown. The industry has depleted its cash reserves almost entirely by now on account of salaries to workers, electricity and water bills, rent etc. The only solace for manufacturers is that social distancing norms will encourage use of bicycle and a demand spike may be realized in a long run. In context to international trade, given the change in consumer behaviour, demand for China's bicycle is expected to diminish this year. Similarly, China's bicycle parts import is expected to decrease significantly and may only remain limited to the parts for which there is no domestic substitute. Both these changes will open more expansive market for bicycle and bicycle parts industry of Ludhiana, Punjab. However, in order to reach there, the industry has to survive now and that shall require liquidity support to enable manufacturers operate at maximum permissible capacity and restart businesses.

Suggestions

Suggestion 1.	**Injecting Liquidity with Outstanding Payment**
Description	Similar to suggestion 1.1 and 1.2 of 2.2 Micro, Small & Medium Enterprises (MSMEs) Part 1: Sports Goods Manufacturing, injecting credit into the segment is necessary for business continuity of bicycle and bicycle parts manufacturing units as well. In this context, 1.1 Government is suggested to release any pending payment/outstanding pertaining to bicycle and bicycle parts tender/order. 1.2 GST refunds should also be released on priority. 1.3 Electricity and water charges, rents and other kinds of fixed variables should be waived off at least for the duration of the lockdown
Suggestion 2.	**Reduction in Income Deduction & Banking Measures**
Description	Government of India has already released extensive financial and banking support measures for MSMEs at Pan-India level. In regards to bicycle and bicycle parts manufacturers in Punjab, availing collateral for loan is a far cry especially when the existing loans are mounting heavy upon these industry players. The following are therefore suggested, 2.1 Waiver of bank interest on the existing loans for at least six months. GST refunds should also be released on priority. 2.2 Atmanirbhar Yojana provides for EPF relaxation for 3 more months under *Pradhan Mantri Garib Kalyan Package* (PMGKP) and EPF contribution reduction to 10% for those who aren't eligible for the PMGKP package. Further to this, employers' EPF contribution should be made optional for at least this financial year. 2.3 Export oriented units should be given more incentives to encourage manufacturing for international trade.

SECTION 3: **SERVICES**

HOSPITALITY & TOURISM
INFORMATION TECHNOLOGY & ENABLED SERVICES

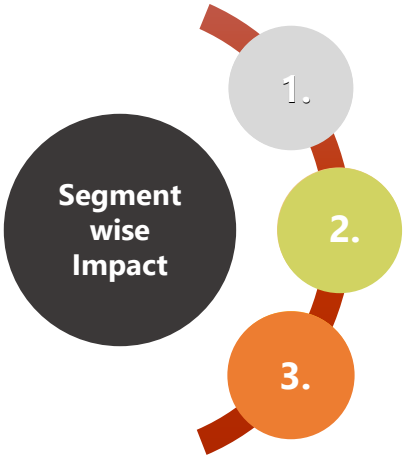


3.1 Hospitality & Tourism

Hospitality & Tourism industry in Punjab has expanded at a progressive rate over the span shorter than a decade. Stepping up from a growth rate of 4.53% in 2012-13 to 7.40% in 2018-19, the sector currently offers livelihood to more than 300,000 families in the State (Economic & Statistical Organisation of Punjab, 2020). It also leads with a high margin in Foreign Tourist Arrival (FTA) growth i,e, in the number of tourists that come and stay in India/State for a period exceeding 24 hours at 68%, followed at distance by Goa (24%) and Uttar Pradesh (13%). (CARE Ratings, 2019)

COVID-19 Impact & Challenges:

Business model of the sectoral players is founded on requirement of accommodation, travel arrangements, food and related service for social gatherings and meetings etc, and depends heavily on mobility of both domestic and international customer base. As COVID-19 put a halt on movement of individuals, goods and services across States and foreign inflow in India, the building blocks of hospitality and tourism sector came trembling down.



***Impact on Hotels*:** Except for later in April-May when State Government permitted hotels to accommodate NRIs returning from rest of the world, stranded tourists and frontline workers battling against the pandemic, hotels have recorded near zero occupancy for the duration of the lockdown.

Impact on Restaurants/Cafes: Restaurants/cafes were allowed home delivery and take away when the guidelines of first lockdown phase came out; permission was later on revoked and has just recently been re-announced. Nevertheless, the segment has been struggling hard to break even.

***Impact on Travel Operators/Chains*:** This is the worst affected segment and has been completely shut since the commencement of lockdown. Zero revenue against fixed cost is just one of the many survival concerns.

Challenges 1.	**Financial Instability & Survival Risk**
Description	As per Government Advisory, Hospitality & Tourism industry has been providing regular wage payments to employees up until April 15, 2020 and with some relaxation till date. This has put enormous pressure on the businesses' stability and account books as wages in some segments of the industry can amount to as high as Rs 250 crore per month. Additionally, electricity, water and rent (wherever applicable) charges as well as tax obligations have been adding up to the burden, which in absence of any specific revenue stream has been fast depleting savings/credit margin available with hoteliers. While restaurants/cafes have a revenue option in home delivery and take away, dine-in is not anticipated to open anytime soon, which may further cap earning prospects and limit business recovery post lockdown.
Suggestion(s)	Government of Punjab in 2018 announced its target of enabling hospitality and tourism sector contribute 20% to Gross State Domestic Product (GSDP). In case no financial support is injected in hospitality and tourism sector to enable it survive through this crisis and recover well, the target may not be realized for at least next 5-10 years. On this note, FICCI suggests the following measures for Central and State Governments' consideration,

	1.1 <u>Provision of Collateral Free Loan for Hotels/Restaurants/Cafes etc:</u> Hospitality & Tourism business is investment-intensive. As the financial state of the industry is shaken due to more than two months of disrupted operations and outflow in form of regular payments, external finances will be required to kickstart workers restrictions are lifted. In this context, FICCI suggests Punjab Government to offer an option of collateral free loans of tenure not less than 5 years with moratorium of a year. This shall not only infuse much required capital into these hotels/restaurants/cafes, but will also improve business sentiments among industry players and go a long way in ensuring business continuity. *1.2 <u>Reduction in Employer's share to Employee Provident Fund (EPF) for at least 6 months:</u>* The current contribution to Employee Provident Funds (EPF) stands at 12%. FICCI urges the State Government to pursue the suggestion of reducing this to 10% for at least six months with Central Government. This will instantly increase in-hand credit with employers and may alternatively be channelled towards payment of fixed or other costs. *1.3 <u>Tax Rebates & Relief from Other Bills</u>* 1.3.1 As operations were shut for the duration of location, electricity bill for this period may be waived off with additional relaxation for 6 months post lockdown. 1.3.2 Industry may also be allowed to keep GST for at least a year to be ease requirement of working capital. 1.3.3 Waiving off other bills such as water charge, garbage collection and fee under pollution act will also be important for reducing deduction burden.
Challenges 2.	**Stringent Conditions/Terms for Quarantine of NRIs/Individuals Returning from Foreign Countries**
Description	About 7000 hotels and institutional rooms have been arranged by Government of Punjab for accommodating some 20,000 individuals returning from other countries. Suitable rates ranging from Rs 500 to Rs 7000 per day have been set for this purpose (The New Indian Express, 2020). FICCI appreciates this initiative by Punjab Government that shall enable a window to earn for earmarked hotels and associated food service and hospitality providers. However, for industry's interest, we kindly bring to attention the following conditions/terms that have been put as a part of the package and are causing concerns, • Arrangement of a doctor for checking on the quarantined individuals once a day and reportage to the nodal officer of the district, all on account book of hotels. • Tie-up with laboratories for testing and proper disposal of garbage which is collected from facility, and segregated as medical waste. • Hotel facility to be sanitized every time an NRI arrives at hotel, staff to be given PPE kits, gloves and masks. • No individuals shall be allowed to leave the hotel premises, to be ensured by hotels. • In case of any violation of these conditions, hotel owners shall be booked under Section 188 of IPC (Disobedience to Order of Public Servant) as per the provisions of Epidemic Diseases Act 1897.

	These conditions, • Add enormously to responsibility of the hotel managers/owners. Considering that the pressure to resume shall already been hovering over, it will add to the stress and anxiety. • Put pressure on account books of the hotels as many of the provisions require expenses to be borne in-house. This is non-progressive considering the bad shape of hotels' finances. • The liability of action against hotel owners/managers in case of violation shall erode business sentiments by causing fear psychosis. Under these conditions, a hotel early awaiting opportunity of revenue too are averse to this decision due to the difficulty in following through.
Suggestion(s)	FICCI urges the State Government to divert some of the responsibilities from hotels/accommodators to itself while providing following provisions, 2.1 Payment of doctor for check-up of quarantined individuals shall be borne by individuals from their own self or by individual and State Government in a ratio as deem fit by the latter. 2.2 State Government may empanel laboratories for testing and disposal of medical waste and permit concessions to hotels for availing services. 2.3 Hotel facilities may be provided with PPE kits, gloves and masks. State Government is also suggested to take the sanitization on to itself as this will immensely reduce the financial and compliance burden from hotel owners. 2.4 Police personnel may be appointed at hotels and given the charge to ensure that no quarantined individual leaves the facility. 2.5 FICCI believed that any form of penalty on hotel against, except wilful default, is adverse to business and since there is no measure of wilfulness, suggests State Government to remove this clause. 2.6 Training for hotel staff in handling the quarantined individuals will be imperative for the success of the operation. (The Tribune, Owners wary as hotels turned isolation centres without training, 2020)

Changing Business Model for Challenging Times: Lesson from Haryana

Closure of operations has led property/hotel owners in Gurugram to consider letting out the premises as paying guest accommodation, besides offering banquet halls and other facility spaces for social gatherings and events. This is suggested by these owners as an attempt to save oneself from selling off the property altogether and moving out of business.

Though emerged out of necessity, the move is indeed replicable for rest of the States including Punjab and will help the business owners in dire need of work/finances to prevent closure by adopting this as a survival tactic.

3.2 Information Technology & Enabled Services

Equipped with a solid policy foundation and comprehensive fiscal incentives, Information Technology (IT) & IT Enabled Services (ITeS) has emerged as one of the priority sectors of Punjab. More than 740 registered IT units cover the length and breadth of the State with a wide array of information services. In fact, given the State's focus on this sector's promotion, Mohali has developed into an IT Investment Region and has successfully managed a cumulative growth rate of 14% in IT/ITeS exports over the period of five years. (Invest Punjab, IT & ITES, n.d.) In 2019-20, The State witnessed a 65% jump in investment in IT/ITeS segment, Rs 605 crore in absolute numbers. (The Hindustan Times, After 65% jump in IT investments last fiscal, COVID-19 may hit growth in Punjab this year, 2020)

Information Technology & Enabled Services have too suffered on account of COVID-19 & lockdown. As most of the sectoral companies export their products/services to US and UK, both of which have suffered a severe pandemic blow, demand has been eliminating in phases. Then there are also concerns related to safety of client's information with majority of employees operating from home environment. However, experts don't envisage the effects to stretch any longer than this year. Unlike other sectors, there are positive expectations for 2021 as the industry members expect higher demand for their services both from domestic and international market. The former shall be on account of companies wanting to digitalize their operations and seek cloud based solutions. Internationally, this demand stimulus shall be driven by Apple, Amazon and other companies as they try to cut cost by outsourcing to IT sector, including that of Punjab. (Times of India, With Rs 4,800 crore annual export, IT sector gears for rebound, 2020)

This is not to say that the sector is safe and no intervention is required. The high market of 2021 shall only be within reach once and if the industry players survive through this fallout phase of lockdown. In this context, this section recommends potential interventions.

Suggestions

Suggestion 1	**Reduction in EPF Contribution**
Description	IT & ITeS hub of Mohali acts as a support system for Apple, Amazon and other companies in US and UK by delivering outsourced requirements. Now that these two countries are bearing brunt of COVID-19, finances are expected to take a hit as a result of which these may limit their operations for a few months. Ripple effect shall be experienced by IT & ITeS sector in Punjab since they too shall face financial difficulty as work dwindles while fixed cost such as that of human resource remains constant. In this context, FICCI urges the State Government for reducing employers' EPF contribution to 10% for six months will provide the IT & ITeS industry more cash in-hand to pay off wages, monthly bills and other such expenses. This will ease some burden and redirect them towards business continuity.
Suggestion 2	**Focused Incentives for Digitalization and Industry 4.0**
Description	Business recovery, both of IT & ITES as well as other industries in the State, will depend heavily on the capacity to revamp and digitalize to make business operations more flexible in case of any such crisis in future. This is an opportunity for Punjab Government to push forth digitalization in the State by incentivising IT & ITES cluster, which can further help other industries digitalize. This will not only help IT & ITES rise above the lockdown losses but will give an indirect impetus to the other industries as well.

Apart from these, there is an urgent need to bring in legislative changes for supporting remote work. Labour laws may have to be amended to define work from home and shift timings. Similarly changes may as well be required in I-T laws to enable employers treat expenses on work from home as business expenses.

ANNEXURE



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