

EFFECT OF COVID-19

INTRODUCTION

With its present investment and turnover, SRMC falls under the category of "Medium" scale industry as per Central Government's new Policy.

The Company is engaged in Textile Spinning.

ECONOMY

The Indian economy was slowing down even before the pandemic struck the world and the situation has now been amplified manifold because of the lock down announced by the Central Government in March 2020.

Experts predict that the GDP forecasts for the Country now range from 1.9 percent to (-) 0.5 percent . This is clearly a crisis situation and getting out of this will depend a great deal on the shape of economic recovery mechanism that will be introduced.

The shape of economic recovery is determined by both speed and direction of GDP points. This depends on multiple factors including fiscal and monetary measures, consumer incomes and sentiment. The Central Government has announced certain stimulus package that addresses demand and supply issues to hasten the economic recovery. The effect of this vis-à-vis the impact of pandemic is given below :

1. PERIOD OF LOCK DOWN AND PLAN TO RESTART OPERATIONS :

From March 25, 2020 till May 31, 2020, the business activity of the company was completely shut down. Even though there is slight relaxation in the restrictions related to lock down from June 1, 2020, it would take at least three to four months to commence full-fledged operation owing to issues of liquidity, supply chain, demand revival and labour.

2. LIQUIDITY POSITION :

- i) The Government has announced the "Guaranteed Emergency Credit Line" to the medium scale industry to be availed from the bank. It is by way of Working Capital term loan upto a maximum of 20% of outstanding as on 29.02.2020 with a moratorium of 12 months and repayable in 36 equal monthly installments with a concessional rate of interest. The bank has operationalized the Credit Scheme after getting the necessary guidelines from the Ministry of Finance. With the need to meet the commitments towards fixed costs amidst revenue in the contraction mode, there will be certain amount of strain on the liquidity position, which will be eased thereby.
- ii) The liquidity easing measures initiated by RBI will begin percolating through the economy gradually. Further, the RBI has taken the steps for lowering both the repo and reverse repo rates to bring these down to the lowest levels in recent times. But the transmission of rate cut by the bank to the company is lukewarm.
- iii) On account of total lock-down, the costs of various inputs have gone up, and it may be difficult to pass on the escalation to the consumers.

3 MORATORIUM FACILITY AVAILED

A moratorium was announced for all businesses for their debt servicing obligation to the bank initially for 90 days which has now been extended to 180 days. Availing of this facility would entail additional interest burden which will cause some strain on the liquidity position.

4. DISRUPTED SUPPLY CHAIN

There is a big constraint for material transport both inter and intra state owing to restrictions imposed by the Central / State Governments. Consequently, there is an increase in the cost of inputs with the disrupted supply chain.

5. DEMAND REVIVAL

It is widely recognized that the present crisis has seriously impacted both the supply and demand side of the economy, The stimulus package announced by the Centre addresses these issues and the effectiveness of this is still to be seen.

6 CONCLUSION

The Spinning Industry which has already faced multiple challenges in the aftermath of demonetization, GST implementation, economic slow down across the globe, US-China trade war and others such as low demand, unfavourable duty structures and volatile cotton prices – is confronting another trouble in the form of COVID-19 pandemic. Of course, Govt. has announced certain stimulus packages to help the industry to come out of this dark period.

In the case of an unprecedented crisis like the Covid-19 pandemic both fiscal and monetary policies should be accommodative and they need to be implemented through careful coordination.
