

Y.S.JAGAN MOHAN REDDY



AMARAVATI

CHIEF MINISTER
ANDHRA PRADESH

D.O.Lr.No.I&C Dept/CMO/1, Dt.30.04.2020

Shri. Narendra Modi Ji,

Sub: Impact of Covid-19 on Industries and support sought from Government of India to overcome the distress in the Manufacturing Sector of AP.

At the outset, let me take this opportunity to congratulate you sir, for providing dynamic leadership in handling of the COVID 19 pandemic across the country. Your guidance to the states has been in the spirit of consultative federalism which speaks volumes of your support to states in handling the pandemic. In the wake of the global COVID -19 pandemic and its eventual economic impact, the industries in Andhra Pradesh are suffering from severe distress. In addition to piling up of inventory due to trade and export restriction, the absence of the workforce has also hit the industry very hard. While all the markets are shut down, the uncertainty around future demand looms large over the sector.

Manufacturing sector in Andhra Pradesh has contributed Rs 72,523 Cr, i.e. 11.83 % of the State GVA, in 2018-19 (Constant prices). Additionally, the state registered exports of Rs 98,983 Crores in FY 2018-19, out of which Drugs and Pharmaceuticals accounted for Rs 24,537 Crores, Engineering items accounted for Rs 19,554 Crores, Electrical and Electronics Parts accounted for Rs 2,237 Crores and Handlooms and Textiles accounted for Rs 5,765 Crores.

Thus, Andhra Pradesh significantly contributes to the nation's manufacturing output as well as its exports. However, given the current pandemic, the manufacturing sector in the state is in great peril and needs support in order to sustain itself and prosper in the long run. In this context, please find below our request for support for each of the sub-sectors in the manufacturing sector within the state.

1. Micro, Small and Medium Enterprises (MSMEs)

You will appreciate that the MSMEs are the backbone of the industry and service sector in the state generating huge employment for the downtrodden. The impact on MSME is high because MSMEs provide employment to more than 1.1 million people in the State and contributes around 7-8% to the State's GSDP. In this regard, I would like to inform that about 94% of the MSME units in the state of AP are locked down, while 6% of the units are operating at 25-30% of full capacity. The MSMEs are not able to sustain their businesses owing to liquidity crisis, lack of manpower, movement of products and disruption of business operations etc. Besides this, the MSMEs engaged in hotel industry, tourism sector and logistics have been witnessing a sharp drop in business.

Further, I would like to reiterate that the impact on MSMEs is likely to have a cascading effect across the value chain even after the lockdown is eased owing to global slowdown in demand. The contractual, wage labour will get impacted more leading to lay offs, unrest, lowering of purchasing power. Sectors which are dependent on high imports of raw material such as electronics, consumer durables, pharma etc. are facing bottlenecks and so are the export-oriented units due to a major drop in demand from Europe and US primarily. Considering the potential of the MSMEs sector and its contribution to the country's economy, the Government of India is requested to kindly extend the following support to the sector in the state

I. Wage and related support

- a. Create a fund for supporting MSMEs in terms of additional liquidity to meet their wage liabilities during the shutdown.
- b. Utilize the ESIC funds under Rajiv Gandhi Shramik Kalyan Yojana, Atal Beemit Vyakti Kalyan Yojana to pay workers for the lockdown period i.e. to consider the lockdown period as national emergency leading to temporary closure of workplace due to natural calamity.
- c. Provide a Moratorium for all PF, ESI and Gratuity payments by employer for six months if the employer does not retrench or remove more than 10% of its workforce.

II. Cash Flow and Working Capital

- a. EMIs and interest on working capital may be deferred till things normalize.
- b. RBI has already allowed a deferment for 3 months, however as a special