



Infomerics Ratings

# Infomerics Valuation And Rating Pvt. Ltd.

SEBI REGISTERED / RBI ACCREDITED / NSIC EMPANELLED  
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## INDUSTRY OUTLOOK

### INDIA'S LOCK DOWN IN REROSPECT AND PROSPECT

10 April 2020

There is hardly a week to go for the deadline of 21 days of lockdown in India to expire. Most parts of India, except stray incidents like the Tablighi Jamaat congregation and the movement of the migrant labor, have been compliant with the stern directive of the Central Government advising all the citizens to stay at their homes. This well-meaning directive has been issued to contain & control the rapid spread of Corona Pandemic.

The Central Government has sought views of the state governments on extension of full or partial lock down. There are already suggestions from a few State Governments to extend the lockdown period by a few weeks from the original schedule. The Punjab Government has already extended lock down till 30th April'20.



## RAPID SPREAD

The first 15 days saw the number of the disease affected crossing 5,480 with Maharashtra accounting for more than 20% of the reported cases. The number of deaths reported so far has been 170 (till afternoon of 8th April 2020). Though the number appears to be insignificant as compared to the total population of the country, the negligence and indifference on part of a section of population has accelerated the depth and speed of the spread of the disease in the past few days. The geometrical progression of the growth of pandemic in the coming days could be challenging, given the deficient infrastructure available in our country in respect of the testing facilities and limited technology penetration in rural areas.

## FLATTENING THE CURVE

Unless the per day COVID 19 tests reaches a reasonable 6 figure number, the number of persons infected and even death could rise rapidly. It is encouraging that the local administrations are gearing up to face such an eventuality by setting up makeshift medical facilities by converting public spaces, hotels, hostels and even railway coaches.

It is the objective of all State Governments to ensure that the number of cases are contained urgently. This containment is of utmost importance given the medical and healthcare infrastructure capacity available across geographies in India. We have already seen the difficulties and challenges in transporting emergency patients across the state borders in the case of Karnataka Vs Kerala that had to be resolved with the intervention of the Supreme Court of India on 7th April 2020.

India is battling this medical-cum-economic emergency with all seriousness, viz., isolation, social distancing and upscaling diagnostic and testing requirements. But given the magnitude of the crisis, there is a compelling need for coordinated and concerted efforts by all stake-holders, viz., the Central and State governments, doctors, nurses, planners and policy-makers and even those at the helm of affairs in the government and various tiers of administration.



## HARVESTING RABI CROP

It is harvesting time of the rabi crop. While some states like Punjab and Haryana have mechanized harvesting, other states with marginal land holding will face problem in harvesting, grading, sorting, storage, etc. The procurement of the crop by the government agencies and making payment to farmers requires immediate attention of the respective governments. Accordingly, Governments will have to selectively lift the lock-down in a gradual and calibrated manner to facilitate the movement of agricultural labor and procurement to meet the harvesting and the livelihoods challenge.

## RELIEF MEASURES

The first dose of relief package announced by the Finance Minister amounting to Rs.1.70 lakh crore for the poor and vulnerable section of the society would help these deprived and marginalized sections deal with the lockdown situation. This welcome move by the Government of India together with a contextually significant monetary and credit policy of the RBI announced on March 27, 2020 would go some way in alleviating the pain, misery and suffering faced by a large cross-section of society-what Mahatma Gandhi called "the teeming millions of India". But given the emergence of hotspots in about 65 districts of the country necessitating an extension of lock down and the manifold difficulties in ensuring free supply of cereals and pulses to over 80 crore people, there is a manifest need for meticulous planning and -what is even more important-flawless implementation and mid-course correction, where-ever necessary.

## ROADMAP AHEAD

Where do we go from here? It is estimated by the time the first phase of the lockdown ends, the poor families would have exhausted all their limited economic means and the government aid. They would thus be forced to live in conditions of destitution and abject poverty-euphemistically called below 'the poverty line'. Added to this is the plight of migrant labourers, jobless & homeless. Without any income, they would be an added burden to the already struggling families back home. Nearly 1 billion or more than 75% of India's population would be on the verge of breakdown.

The Central Government had informed the Supreme Court on 7th April 2020 that about 26,000 shelters & 17,000 camps are functioning across India to feed over 84 lakh people daily and another 14-lakh people are given food and shelter by employers & industries. As and when people exhaust their resources, they may join this queue. This situation would have severe repercussions across the development spectrum. It is, however, welcome that India has buffer food stocks available with the Food Corporation of India and an elaborate network of fair-price shops across the country.

As per CMIE data, as on 5th April 2020, the unemployment rate has jumped three-fold to 30% in urban areas and 21% in the rural areas in a fortnight. At the All India level, it is an all-time high of 23.40%. This explains the exodus of migrant labourers from cities to their villages and total stoppage of farm- based activities.

Added to this will be the plight of migrant labourers from abroad. The Middle East with an Indian population of close to 10 million, mostly labourers is also amongst the worst affected and under lock down. Accordingly, many of these nations are taking steps to repatriate foreign nationals, mostly labourers.



## POLICIES AND OPTIONS

It is understood that the Centre is examining doling out further dosages of relief packages to the vulnerable section of the society which is need of the hour. The poor shall not have empty pockets or empty kitchens.

The Government shall ensure uninterrupted supply chain. It is gathered that the Railways are plying freight trains at regular intervals. However, the supply through trucks is facing problems due to non availability of food outlets, spare parts and puncture/vulcanization service shops. The Government may direct opening of these outlets every 25 kms distance on important highways.

In view of the overarching macro-economic environment, adhering to the mandated fiscal deficit level is not required at the present juncture because of the crippling effect of the Coronavirus on income, output and employment in the country. Providing the much-needed relief and succor to the distressed sectors and segments is the need of the hour and the concerns of prudence in fiscal management can be addressed at a later stage, when things get back rails. The middle class and upper middle class may be urged to forego a part of their income. Business establishments may be given tax exemptions to the extent of their economic contribution for this cause. The consequent demand slide & supply disruption caused by the lockdown may hurt the economic growth.

The Asian Development Bank (ADB) has projected India' growth to slow down to 4% in the current fiscal year. Recently, Moody's Investors Service slashed its forecast on India's 2020 growth to 2.5%, while S&P Global Ratings has lowered its estimate to 3.5% for FY21. But saving human lives are more important than worrying about rapidly depleting economic parameters.

The United States of America under President Trump has been unduly concerned with economic implications leading to rising casualties in the USA and the all-pervasive sense of anxiety, fear and dread. In a refreshing contrast to the American approach, the Government of India has been proactive in dealing with the emerging challenges. And this is why the performance of the Government of India has been commended by several countries, multilateral organizations, think-tanks and well-informed individuals and institutions.

## WHEN LOCK DOWN ENDS

It is welcome that Wuhan, China ended the lockdown after a prolonged period of 76 days. China reported for the first time since January 2020 that it has passed a day without any COVID 19 death. The world will be watching how the lockdown relaxations pan out in Wuhan, the mother of the present global crisis.

In India, several State Governments have been pro-active in dealing with this dreaded contagious disease. For example, the Kerala State Government that had the first reported case of COVID 19 in the country, has been proactive in identifying and isolating suspected cases and providing medical treatment and healthcare. It set up an Expert Committee consisting of eminent persons drawn from all walks of life to advise the Chief Minister on a strategy towards easing the Lock Down restrictions by an order dated 4th April 2020 . The Committee on 6th April 2020 submitted its recommendations. The executive summary of the recommendations is enumerated below (verbatim).



# EXECUTIVE SUMMARY

1. The Expert Committee assessed that the time is not yet ripe for full withdrawal of the lock down on April 14th, 2020. The Committee recommends a withdrawal strategy that should be gradual, phased and calibrated to ensure that the case load is always kept below the (surge) capacity of the healthcare system to deal with it.
2. In this context, continuing to restrict large scale movement of people across international and state boundaries is critical and should not be considered unless and until the situation is under control in every state (State is the administrative unit where currently resources are shared without complaints and coherent policies can be administered)
3. The Committee, however, is cognizant that prolonged and stringent lockdown will lead to economic hardship, famine and law and order issues, which may in turn undermine both the lockdown and the health management objectives.
4. Therefore, a phased approach to withdrawal of the lockdown has been suggested in this Report. The unit for operationalizing such a phased approach is suggested to be a district which has defined boundaries as well as executive magistrate who have the authority to effectively enforce the measures of the phased lock down.
5. The country and the state should continue to ramp up preparatory work for the predicted and rapid rise of the COVID19 cases. It is to be expected that at least in some cities/states, the cases will exceed the local capacity. Protocol for assistance (between cities and states) should be prepared in advance to avoid creating unnecessary divisions at the height of the crisis.
6. While lockdown may be relaxed, the effort to ramp up production and procurement of test kits, ventilators, PPEs for healthcare personnel and masks should not be relaxed. There should be a national effort for this purpose and all available capacity, including adapted capacity in other industries, should be used. Central government should release funds for this and create a mechanism to distribute them on a need basis to avoid both state governments trying to outbid one another or creating supply side disruptions.
7. As different Indian states are expected to pass through the peak infection at different timings, it will be useful and important to establish a national co-ordination mechanism so that states could support one another with experience, expertise, equipment and finances.
8. Maintaining supply chains of essential goods and services is integral to the achieving both health and economic objectives and central government should ensure to establish effective coordination between states as well as logistics operators
9. Supporting agricultural sector, in production, marketing, storage and transport is absolutely essential for the country to tide over the crisis.
10. COVID19 crisis is forcefully taking India into the "online" world in a very rapid pace. Innovations and practices which would have needed years to achieve is being introduced in matter of weeks in education, judiciary, local business, telemedicine among others. We must ensure that such modern technological leaps are not lost when the lockdown is withdrawn as there are huge economic and efficiency gains attached to it.

As can be observed, almost all the recommendations of the Expert Committee are relevant and can be adopted by other states as well.





# TOMORROW MAY NOT BE THE SAME AGAIN

The world will not be the same again. There will be restrictions for movement of people and goods across borders and within their own geographies. The goods and people arriving from other places will be looked upon with suspicion and subjected to increased amount of scrutiny. Social distancing may become a way of life until a vaccine is invented and successfully tried on humans.

There can be total ban on goods imported from certain places/countries. The world trade may find its lowest point or turnover in the next few months. In Karnataka near Mysuru, a pharmaceutical company with about 1,500 employees, has been shut down as 14 employees contracted COVID 19, reportedly from materials imported from China. Probably, such cases would also have been reported from other parts of the globe. In sum, the world will continue to face the economic burden triggered by the Coronavirus for a long time to come. This would require a significant sacrifice on the part of all of us. But we have overcome several crises in the past by our hard and sustained work. There is no reason to believe why we cannot overcome this crisis by our dynamic and flexible approach, innovative strategies and resilience. The tunnel may be long and difficult but there would be light at the end of the tunnel. Together we can and together we will!



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