Covid-19 : Impact on Gem and Jewellery Sector & Industry Suggestions to Sustain the Business

March 2020

The Gem and Jewellery Export Promotion Council
Sponsored by Ministry of Commerce & Industry
Government of India

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Executive Summary

Outbreak of pandemic COVID -19 in China has shaken the entire world as its spread caused loss of several lives across the world and now a new economic danger looms large globally. Productions are stalled, supply chain and markets are disrupted, people are being retrenched and financial markets have turned volatile among others. India as an economy is not an exception to encounter with the above challenges and Gem and Jewellery industry which is highly labour and export-oriented sector has a hard hit during the present times.

The GJEPC has noted that after the outbreak of Covid-19 Declining rate of gem and jewellery exports doubled to (-)11.32% during Dec-February 2020 as compared to (-)5.53% registered during April-Nov 2019 and this is projected that Gem and Jewellery exports would bear the loss of US$2.57 billion by the end of March 2020 due to this dreadful crisis.

In order to support the industry for during this critical time, the GJEPC under the direction and concerted efforts of Shri Pramod Kumar Agrawal, Chairman , GJEPC, Shri Colin Shah , Vice Chairman, GJEPC and Shri Sabyasachi Ray, Executive Director, GJEPC has initiated a number of steps which includes :

1. ***Setting up of a Rs. 50crore (Rs. 500 million) corpu****s -- out of its own reserves – towards welfare measures to be undertaken in the current scenario.*
2. ***Liaising with different trade bodies across the world and industry apex organizations*** *such as World Federation of Diamond Bourses (WFDB) and World Gold Council (WGC) on steps that can be taken to ensure that supply and demand equilibrium and price stability is maintained during the difficult period that the industry is facing.*

GJEPC Initiatives Contd...

3. ***The GJEPC is in talks with respective embassies to organise the virtual B2B*** *wherein buyers of the respective countries and India's sellers of varied G&J products would be connected through online facility to be arranged by the GJEPC.*

4. ***Interacting with the various authorities of the central government*** *Ministry of Commerce & Industry (DGFT), Ministry of Finance (Customs / CBIC / ICEGATE), Ministry of Finance (DFS/RBI) and Ministry of Labour/ Ministry of Human Resource Development* ***on various relief measures for businesses*** *in the sector, particularly the MSMEs, and some concrete announcements are expected soon.*

   Some of the suggestions made to the government include:

   - *Revised criteria for definition of MSME from capital investment to turnover base*
   - *Additional interest subvention of 2% for a total of 7% interest subsidy*
   - *Relaxing NPA recognition norms from 90 to180 days*
   - *Priority lending with collateral requirement of only 25%*

The Council strongly feels that the listed suggestions if considered for implementation would the protect export trade and precious forex earnings for the country.

1. G&J Exports Scenario : An Overview

Gem and Jewellery exports have been recording declining trends since the beginning of the financial year 2019-2020 majorly attributed to various domestic as well as global challenges including rise in import duty on precious stones viz. polished diamonds and coloured gem stones, tightening of lending terms by banks, stringent customs inspection procedures, sluggish import demand and withdrawal of GSP benefit by USA among others. This all has resulted G&J exports to decline by 5.53% during April-November 2019.

Challenges for the sector have graved after the outbreak of Covid -19 in China which has taken a shape of pandemic and caused stalled manufacturing and trading activities, cancellation of business events, deferment of committed order positions, reduced demand, elongation of receivables etc. in the sector.

The sector is highly export oriented therefore, the impact of global health emergence can be estimated through its continuous decline of exports which have recorded a steep decline of (-) 19.37% in Feb 2020 against a decelerating rate of (-)9.17% in Jan 2020 and (-)1.89% in Dec 2019.

2.
Impact of Covid-19 on Gem and Jewellery Exports
April-February 2020

2. Impact of Covid-19 on G&J exports is assessed as mentioned below :

1. Declining rate of gem and jewellery exports doubled to (-)11.32% during Dec-February 2020 as compared to (-)5.53% registered during April-Nov 2019.

2. Gem & Jewellery exports recorded the highest fall of (-) 19.37% in Feb 2020

3. Cut and Polished Diamonds, Coloured Gemstone and Imitation Jewellery are severely hit key export commodities.

4. Going forward, all other gem and jewellery commodities would have challenging time until the business sentiments and consumer confidence are gained back.

5. Exports to key export destinations especially to Hong Kong have witnessed a steep decline

Impact of Coronavirus on Gem and Jewellery Exports
April-Feb 2020

2.1 Declining rate of exports doubled to (-)11.32% during Dec-Feb 2020

Gem and Jewellery sector due to the domestic policy and procedural challenges and sluggish import demand in the World market have recorded a negative growth of (-) 5.53% during April-Nov 2019. While after the outbreak of COVID -19, declining exports growth doubled from (-)5.53% to (-)11.32% during Dec-Feb 2020 **(Table-1).**

Table -1
Gem and Jewellery Exports: April-Feb 2020

Months	Gross Exports FY2019 (US$ billion)	Gross Exports FY2020 (US$ billion)	% Growth (Y-o-Y)
April-Nov 2019	26.74	25.26	-5.53
December	2.49	2.44	-1.89
January	3.27	2.97	-9.17
February	3.69	2.97	-19.37
December- Feb	9.45	8.38	-11.32
April-Feb 2020	36.19	33.63	-7.08

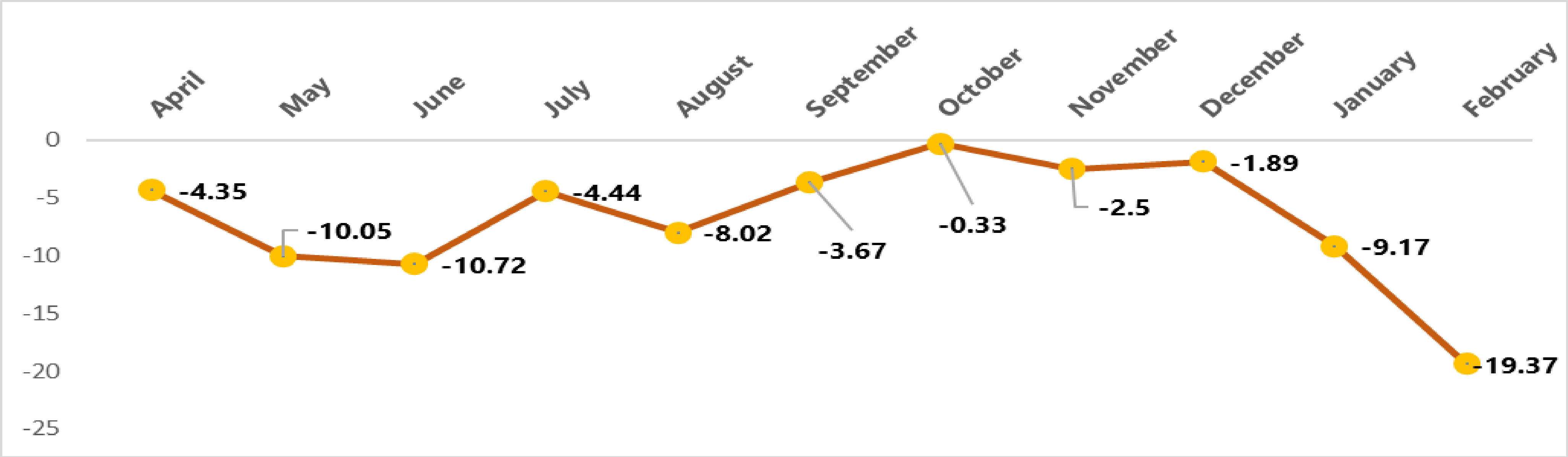
Source: GJEPC Statistics Dept. Analysis

2.2 Gem and Jewellery exports recorded the highest fall of (-) 19.37% in Feb 2020

In the month of Feb 2020, exports of G&J recorded the highest fall of (-)19.37% in the present fiscal year to US$2.97 billion as compared to US$3.69 billion in the same period last FY2019 reflecting the impact of coronavirus (Figure-1).

Overall, in value terms exports fell by US$2.56 billion to US$33.63 billion during April-Feb 2020 as compared to US$36.19 billion in the same period last FY 2018-2019.

Figure -1 Month-wise Gem and Jewellery Exports Trends (in %)



Source: GJEPC Statistics Dept. Analysis

Key export commodities exports which are severely impacted

2.3 Cut and Polished Diamonds, Coloured Gem Stones and Imitation Jewellery are severely hit key export commodities

Cut and Polished diamonds, coloured gemstones and imitation jewellery have recorded a significant fall of (-)40.92%, (-)64.58% and (-)39.78% in the month of February 2020 and therefore the Council is seeking for fixing the policy/regulatory and other issues of the respective industry segment to provide impetus/strength to face the global emergence situation and recover their businesses during the post Covid-19 period**(Table-2).**

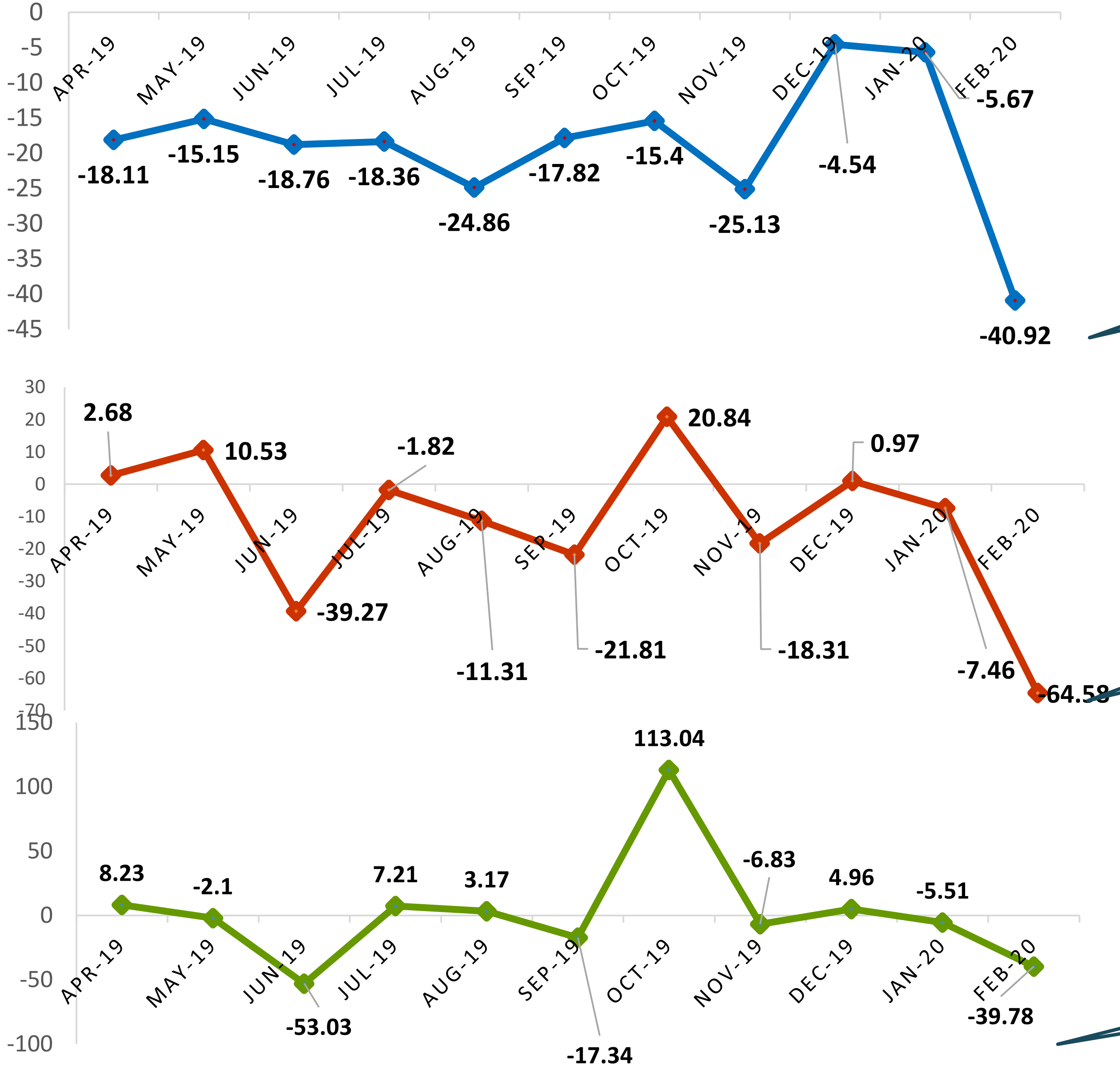
This is to take a note that going forward, all other gem and jewellery commodities are going to have a severe decline as all customs and other operations are shut due to complete lock down in the country.

Table -2
Key Commodities Exports (US$ million)

FY2020	Cut & Polished Diamonds		Coloured Gemstone		Imitation Jewellery	
	Amount	% Growth (y-o-y)	Amount	% Growth (y-o-y)	Amount	% Growth (y-o-y)
April-Nov 2019	13412.45	-18.95	228.80	-11.07	42.04	-7.24
Dec-19	1253.98	-4.54	18.66	0.97	5.29	4.96
Jan-20	1649.19	-5.67	42.44	-7.46	5.32	-5.51
Feb-20	**1383.72**	**-40.92**	**17.34**	**-64.58**	**3.27**	**-39.78**
April-Feb 2020	**17699.34**	**-19.38**	**307.24**	**-17.09**	**55.92**	**-8.95**

Source: GJEPC Statistics Dept. Analysis

Month-wise export growth of Key Export Commodities (%Growth)



Cut and Polished Diamonds exports fell by (-) 40.92% y-o-y in February 2020.

Coloured Gemstones exports declined by (-) 64.58% y-o-y in February 2020

Imitation Jewellery exports also fell by (-) 39.78% y-o-y during February 2020

Source: GJEPC Statistics Dept. Analysis

2.4 Exports to key export destinations have witnessed a steep decline

Exports of gem and jewellery commodities to Hong Kong, Turkey, Singapore, United Kingdom have impacted the most as exports to these countries have recorded a severe decline of (-)64.1%, (-)94.57% , (-)34.79% and (-)57.18% in the month of February 2020. **(Table-3).**

While, exports to these countries before the outbreak of COVID-19 in the month of December 2019 were registering either growth or relatively less declining growth.

Table-3

Exports to key export destinations witnessed a decline (US$million)

Countries	Apr-Nov 2018	Apr-Nov 2019	%Growth (y-o-y)	Feb-19	Feb-20	% Growth (y-o-y)
UAE	7,068.91	6,863.09	-2.91	806.03	1013.01	25.68%
Hongkong	7,446.57	6,747.66	-9.39	1466.66	526.59	-64.10%
USA	7,348.61	6,411.16	-12.76	716.47	761.93	6.35%
Belgium	1,273.00	1,289.47	1.29	138.65	171.39	23.61%
Israel	708.72	604.92	-14.65	69.36	123.25	77.69%
Turkey	38.27	500.91	1,208.94	74.29	4.03	-94.57%
Singapore	389.07	441.61	13.51	62.42	40.71	-34.79%
Thailand	393.35	429.99	9.31	56.58	64.84	14.59%
United Kingdom	455.37	325.00	-28.63	82.62	35.38	-57.18%
Japan	278.74	269.88	-3.18	31	36.59	18.02%
Others	1,417.85	1,366.15	-3.65	185.15	196.84	6.32%
Total	**26,818.48**	**25,249.83**	**-5.85**	**3689.23**	**2974.55**	**-19.37**

Source: GJEPC Statistics Dept. Analysis

3.

Estimated Impact of Covid-19 on Gem and Jewellery Exports

3. Estimated Impact of Covid-19 on Gem and Jewellery Exports

Gem and Jewellery Exports to hit by US$2.57 billion till March 2020

Gem and Jewellery exports due to domestic policy and procedural challenges and sluggish import demand for the said products have been recording an average monthly export growth of 5.53%. Accordingly, this was expected that G&J exports would decline to US$37.55 billion during the 2019-2020 as compared to US$39.75 billion recorded during the FY2018-2019.

However, outbreak of Corona virus and declaration of it as a global health emergency has deeply cut its import demand in the world market and now exports of Gem and Jewellery from the country is estimated to fell by 12% till March 2020 supressing its exports to US$34.98 billion in value terms during the FY2019-2020.

Table-4

Particulars	Amount
India's G&J exports FY 2018-2019	US$39.75 billion
Decline during April-Nov 2019	(-)5.53%
Pre COVID -19 Estimated exports if decline by 5.5%	US$37.55 billion
Post COVID-19 Exports to decline by 12%	US$34.98 billion
Additional loss due to COVID -19	US$2.57 billion

GJEPC Assessment

4.

GJEPC Efforts to Support the Trade amid Global Health Emergency

4. GJEPC Efforts to Support the Trade amid Global Health Emergency

The Gem and Jewellery Export Promotion Council (GJEPC) has initiated a number of steps to mitigate the impact of the ongoing health crisis related to the COVID-19 pandemic on the businesses of its member-exporters.

4.1 GJEPC Sets Up a Rs. 50 Crore Corpus for Welfare Measures in the Wake of COVID-19

The pandemic of COVID-19 across the country, The Gem & Jewellery Export Promotion Council (GJEPC) announced the setting up of a Rs. 50crore (Rs. 500 million) corpus -- out of its own reserves – towards welfare measures to be undertaken in the current scenario.

4.2 Relief Measures Sought

GJEPC is working with the Central government and the concerned state governments as well as the trade to formulate **relief measures for the job workers** who are rendered jobless at present now and may face financial difficulties as a result. Council is also interacting **Interacting with the various authorities of the central government** Ministry of Commerce & Industry (DGFT), Ministry of Finance (Customs / CBIC / ICEGATE), Ministry of Finance (DFS/RBI) and Ministry of Labour/ Ministry of Human Resource Development **on various relief measures for businesses** in the sector, particularly the MSMEs, and some concrete announcements are expected soon (Details are in following section-5).

4.3 Long-term steps

GJEPC is also ***liaising with different trade bodies across the world*** and industry apex organisations such as World Federation of Diamond Bourses (WFDB) and World Gold Council (WGC) on steps that can be taken to ensure that supply and demand equilibrium and price stability is maintained during the difficult period that the industry is facing.

4.4 GJEPC is planning to organise Virtual B2B with Foreign Counterparts

Table -5 Major Export Destinations of Hong Kong for G&J Products

S.No	Countries	Commodities	Amount (US$mn)	S.No	Countries	Commodities	Amount (US$mn)
1	Thailand	CPD	573.52	5	UAE	CPD	790.66
		Gold Jewellery	61.44			Gold Jewellery	277.39
		Silver Jewellery	10.74			Silver Jewellery	125.95
		Colour Gemstones	139.91			**Total**	**1194**
		Total	**785.61**	6	Belgium	CPD	1458.14
2	USA	CPD	2039.53			**Total**	**1458.14**
		Gold Jewellery	1971.39	7	Israel	CPD	1354.01
		Silver Jewellery	238.36			**Total**	**1354.01**
		Colour Gemstones	265.53	8	**Japan**	CPD	271.85
		Total	**4514.81**			Gold Jewellery	168.79
3	**Singapore**	Gold Jewellery	342.34			**Total**	**440.64**
		CPD	224.88	9	UK	Gold Jewellery	401.13
		Total	**567.22**			CPD	120.42
4	**Switzerland**	Gold Jewellery	748.45			**Total**	**521.55**
		CPD	391.52	10	Indonesia	Gold Jewellery	7.57
		Colour Gemstones	274.23			CPD	5.55
		Total	**1414.2**			**Total**	**13.12**
Grand Total							**12748**

Source: GJEPC Statistics Dept. Analysis based on UN Comtrade Data 2018

- GJEPC is receiving communication from various High Commissions to suggest exporters of gem and jewellery from India to make supplies to Switzerland, Japan and Singapore.
- In this direction, the GJEPC is in talks with respective embassies to organise the virtual B2B wherein buyers of the respective countries and India's sellers of varied G&J products would be connected through online facility to be arranged by the GJEPC.
- HK major export destinations where supplies must have been disrupted are listed in Table-5.

5.

GJEPC Representations

Intervention required to combat the impact of COVID-19 on Export Trade

Authority	GJEPC Representation	Status
Ministry of Commerce & Industry (DGFT)	**Export period is recommended to be extended by another 90 days** for the exporters of gold/silver/platinum jewellery obtaining precious metals from nominated agencies outright purchase basis/loan basis. This w.r.t paragraphs 4.83 and 4.83 (b) and 4.84 and 4.84(c) of HoP 2015-20	The Points have been taken up by DoC with DGFT
	In order to get replenishment, the exporter shall book with nominated agency with in 120 days after exhibition or export promotion tour as against the items sold abroad. **The days may be extended from 120 to 240 days for the** exporters whose 120 days period expired on 1st March 2020. This is w.r.t paragraph 4.34 of FTP.	
	As per para 4.80 of HBoP, the items not sold abroad in exhibitions must be re-imported within 60 days of close of exhibition and for exhibition in USA the time period is 90 days. It is requested that the **re-import period may be extended by further ninety days for all countries.**	
	Exports realization is suggested to extend from 9 months to 15 months as it was done during 2008 downturn.	
	Extension of period by 6 months for goods sent on consignment basis (Total 12 months).	

Authority	GJEPC Representation	Status
Ministry of Finance (Customs / CBIC / ICEGATE)	**The uploading of the copy of the Permissions / KP Certificates by the Party / CHA on e-Sanchit may be allowed** for those who are not registered on the Icegate till 31st May 2020. As, Council is unable to upload the KP Certificates / Permissions on the E-Sanchit if the exporter / importer is not registered on the e-Sanchit portal. This is w.r.t Circular no 13 related to uploading copies of certificates / permissions	Issues have been taken with Concerned Authorities
	Such applicants who have started the detailed registration process may also be allowed to file the copy of the KP Certificate for export / import till the completion of process. This results in payment of demurrage charges of Rs.5000 per day for shipments not cleared. The detailed registration with DS process on e-Sanchit the average time taken for receipt of approval or rejection notification is minimum 3 to 7 days.	
Ministry of Finance (DFS/RBI)	**Interest and incidental Charges** Interest and incidental Charges on Export credit should be waived for a period of 180 days commencing from 01.01.2020 up to 30.06.2020 to address/ accommodate business loss. **Packing Credit** Time limit may be extended for exports by 180 to 270 days **Post Shipment Credit** The unrealized export bills discounted/under collection and wherever payments are getting elongated should be extended from 9 months to 15 months).	RBI has issued notification on asset quality tabulated above

Authority	GJEPC Representation	Status
Ministry of Finance (DFS/RBI)	**<u>Issue of notification by RBI</u>** RBI may consider relaxation through Notifications to accommodate point (b) & (c) above including continuation of eligible interest subvention for the extended period. **<u>RBI may advise all banks for adhoc limit</u>** Banks to consider adhoc/Additional 10-20% (more than 10% for firms having Term loan servicing commitments) credit facilities should be given to required customers in order to meet fixed overheads like salaries, taxes etc. **<u>SMA/NPA Classification</u>** Classification norms maybe relaxed by minimum 180 days, RBI to issue notification. SMA /NPA **<u>Classification may be suitably relaxed for export trade.</u>** Interest waiver and moratorium: All banks should waive of penalties and interest due on Term/ Demand loans and Working Capital facilities like Cash Credit, Overdraft, Packing Credit and Post shipment facilities both in INR and Dollarized limits for a period of 180 days. Special interest free Term Loan with 3-5 Years Tenor may be considered at 20 per cent of WC facility to address the stress in Sector. **<u>Gold loan and repayment of fixed rates of Gold:</u>** Extension of repayment of gold loan by 180 days; /Nominated agencies / banks may consider extending fixed value gold loans. Due to slowdown and shutdown, there will be cashflow slowdown and timely repayment of gold loan might fail. Also, for the gold rate fixed in the gold loan, payment on value date might fail due to slowdown. Therefore, flexibility to extend days and revolve the gold loan should be there. **<u>Covid 19 Loan</u>:** Interest free Term Loam repayable in 3-5 years at 20 % of WC Limits	Issues have been escalated to Authorities

Authority	GJEPC Representation	Status
Ministry of Finance (DFS/RBI)	**Gold metal loans to be allowed** to all manufacturers through ADs to encourage export and jobs in the sector. The entire export sector, including gems & jewellery sector should be **extended Interest subvention benefit of 7% at least for another year.** The same should not be only restricted to MSME or manufacturing but extended to merchant exporters also. **Special Interest Free Term Loan** may be extended say, 20 per cent of WC Limits. This will reduce stress in sector The PC and PSC both INR and Dollarized to be explicitly included as WC facilities along with Cash Credit and Overdraft facility for clarity at operation level in Banks **Credit Rating requirements/ eligibility-** both External & Internal (by Banks) to be suitably relaxed to BB Level. **Capital subsidy of 25% for New projects** / projects under implementation with capital investment ceiling up to Rs 10 Crores **Allow Indian to bring in money** from their overseas subsidiaries for working capital requirements to ease pressure on liquidity. This may be permitted with relaxation in ECB rules. This will also reduce the pressure on Indian Banks. **Banks to consider adhoc/Additional 10-20%-** Protect existing WC limits at current level *with tolerance level of reduction in sales up to 20%* in estimated sales for FY 2019-20; further, on case to case basis banks shall consider Adhoc/Additional Credit of 20-30% (more than 20% for firms having Term loan servicing commitments) credit facilities should be given for taking care of currency fluctuations, fixed overheads like salaries, taxes etc.Extension of time period of the bank guarantees issued by various banks to MSME exporters by one year.	Issues have been taken with Concerned Authorities

Authority	GJEPC Representation	Status
ECGC Issues	**ECGC to reintroduce WTP for gem & jewellery Sector** ECGC to address the other related issues suitably to support gem & jewellery export trade. In order to support the MSME exporters, ECGC to address the issues like cancellation of orders by the buyers or revised payment terms negotiated by the buyers. WTP to be made immediately for the entire sector.	Taken up with MoC & I
SEZ	**Sales from SEZ to be allowed for domestic markets:** The rules pertaining to sales may be relaxed and permission should be given to SEZ units to sell in domestic market with necessary duties paid. Double taxation may be avoided. The global slowdown will make exports challenging, to ensure workers continue to be employed, if domestic market survives, the units may be utilized for domestic market production.	Taken up with MoC &I
OTHER	**VBSMs** - Encourage Indian missions abroad to organize Buyer-Seller Meets over Video-conferencing particularly in respect of identified potential products in specified markets. We have already written to Switzerland, Singapore, Hong Kong & Japan after identifying the buyers. We may try for Saudi Arabia, Kuwait and Qatar also under the current circumstances. **RoDTEP** - In case, the new scheme i.e. RoDTEP is rolled out, the benefits under the scheme to be made available to gems &jewellery sector as submitted by us.	Taken up with MoC&I

6.

Operational Measures and Reliefs Announced by Government of India

6. Operational Measures and Reliefs Announced by Indian Government

The spread of the Coronavirus, has put global communities, ecosystems and supply chains at risk. The global economic & financial repercussions of COVID-19 on the gem & Jewellery sector include disrupted global supply chains, from raw materials to finished products. In this context, the GJEPC would like to highlight the Operational Measures and Reliefs announced by the Finance Minister which would directly benefit exporters and help MSME's in the gem & jewellery sector.

5.1 GST Related

1. Last date for filing GST returns for March, April & May 2020 extended to 30th June 2020 from March 31, 2020
2. Date for opting for Composition scheme extended till 30th June 2020.
3. Companies with less than 5 crore turnover – No interest, No late fee & no penalty
4. Companies with turnover more than 5 crore – Interest at reduced rate of 9%, no late fee & no penalty

5.2 Income Tax related

1. Last date for filing Income Tax Return for 2018-19 extended to June 30, 2020 from March 31 and interest on delayed payment of reduced from 12 to 9%.
2. Interest on delayed TDS deposited also reduced from 18 to 9%
3. Aadhar -PAN linking date extended to June 30, 2020
4. Settlement of IT cases under Vivad -Se -Vishwas Scheme can be done upto June 30, 2020 without payment of any penalty of 10%.

Operational Measures and Reliefs Announced by Indian Government contd….

5.3 Customs related

1. Customs will work as an essential service 24x7 till 30th June, 2020
2. Last date for settlement of Customs related issues under Vivad se Vishwas Scheme has been extended to 30th June, 2020, without any penal interest

5.4 Commerce related:

In principle, time lines will be extended for all procedures without modifying the schemes. Details will be notified in due course by the Ministry of Commerce & Industry. We feel that this will cover our request for allowing extension of time for gold on loan scheme, reimport from exhibitions, replenishment on goods sold in exhibitions etc. Council has already represented to Ministry of Commerce & Industry for this.

5.5 Banking related

1. To help MSME units, threshold limit for Bankruptcy increased from Rs 1 lakh to 1 crore
2. Bank charges reduced for digital trade transactions
3. No minimum balance requirement for maintaining bank accounts for next 3 months
4. Debit card holders can withdraw cash from ATMs of any bank without any charge for next 3 months

Government / RBI relief announced on
(27th March , 2020).
Details as per Table below:

S.No.	ISSUES	RELIEF ANNOUNCED BY GOVERNMENT/ RBI
1	Installments payments on all Term Loans availed from financial System	Three Months relief from 01.03.2020. Even the Tenor for such loans to be shifted by three months across the board
2	Interest payment on Working Capital facilities like Cash Credit, Overdraft etc	Deferred by three months from 01.03.2020. Please note that the such deferred Interest will be due for payment at the end of three month
3	Asset Quality	The delay in payment of Installments and Interest (as in 1 & 2 above) in account will not impact asset quality and would continue to remain Standard Asset ie no SMA or NPA
4	Rating of firm or Company	The relaxations in interest and installment payment or rescheduling will not qualify for Reporting to Credit information Companies (Rating Companies). Hence no impact on Credit rating

5.6 Reserve Bank of India

The Monetary Policy Committee (MPC) undertook a careful evaluation of the current and evolving macroeconomic and financial conditions, and the outlook. Based on the above the Committee for maintaining the accommodative stance of monetary policy as long as necessary to revive growth, mitigate the impact of COVID-19, while ensuring that inflation remains within the target made the following announcement dated 27th March 2020 :

a. Reduce the policy repo rate under the liquidity adjustment facility (LAF) by 75 basis points to 4.40 per cent from 5.15 per cent with immediate effect;
b. Accordingly, the marginal standing facility (MSF) rate and the Bank Rate stand reduced to 4.65 per cent from 5.40 per cent;
c. further, consequent upon the widening of the LAF corridor as detailed in the accompanying Statement on Developmental and Regulatory Polices, the reverse repo rate under the LAF stands reduced by 90 basis points to 4.0 per cent.
d. The MPC also decided to continue with the accommodative stance as long as it is necessary to revive growth and mitigate the impact of coronavirus (COVID-19) on the economy, while ensuring that inflation remains within the target.

Details in Annexure : A

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Gems and Jewellery Export Promotion Council (GJEPC)

27th March 2020

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Thanks

Annexure - RBI Measures

The developmental and regulatory policies can be broadly delineated under four categories:

(1) measures to expand liquidity in the system sizeably to ensure that financial markets and institutions are able to function normally in the face of COVID-19 related dislocations;

(2) steps to reinforce monetary transmission so that bank credit flows on easier terms are sustained to all those who have been affected by the pandemic;

(3) efforts to ease financial stress caused by COVID-19 disruptions by relaxing repayment pressures and improving access to working capital; and

(4) endeavor to improve the functioning of markets in view of the high volatility experienced with the onset and spread of the pandemic.

Liquidity Management - The first set of measures is intended to ensure that adequate liquidity is available to all constituents so that COVID-19 related liquidity constraints are eased.

1. Targeted Long Term Repos Operations (TLTROs)

- The Reserve Bank will conduct auctions of targeted term repos of up to three years tenor of appropriate sizes for a total amount of up to Rs 1,00,000 crore at a floating rate linked to the policy repo rate. The first TLTRO auction will be held today (March 27, 2020).

2. Cash Reserve Ratio

- As a one-time measure to help banks tide over the disruption caused by COVID-19, it has been decided to reduce the cash reserve ratio (CRR) of all banks by 100 basis points to 3.0 per cent of net demand and time liabilities (NDTL) with effect from the reporting fortnight beginning March 28, 2020. This reduction in the CRR would release primary liquidity of about Rs 1,37,000 crore uniformly across the banking system in proportion to liabilities of constituents rather than in relation to holdings of excess SLR. This dispensation will be available for a period of one year ending on March 26, 2021.

- It has been decided to reduce the requirement of minimum daily CRR balance maintenance from 90 per cent to 80 per cent 4 effective from the first day of the reporting fortnight beginning March 28, 2020. This is a one-time dispensation available up to June 26, 2020.

3. Marginal Standing Facility

Under the marginal standing facility (MSF), banks can borrow overnight at their discretion by dipping up to 2 per cent into the Statutory Liquidity Ratio (SLR). In view of the exceptionally high volatility in domestic financial markets which bring in phases of liquidity stress and to provide comfort to the banking system, it has been decided to increase the limit of 2 per cent to 3 per cent with immediate effect. This measure will be applicable up to June 30, 2020. This is intended to provide comfort to the banking system by allowing it to avail an additional ₹ 1,37,000 crore of liquidity under the LAF window in times of stress at the reduced MSF rate announced in the MPC's resolution.

These three measures relating to TLTRO, CRR and MSF will inject a total liquidity of ₹ 3.74 lakh crore to the system.

4. Widening of the Monetary Policy Rate Corridor

In view of persistent excess liquidity, it has been decided to widen the existing policy rate corridor from 50 bps to 65 bps. Under the new corridor, the reverse repo rate under the liquidity adjustment facility (LAF) would be 40 bps lower than the policy repo rate. The marginal standing facility (MSF) rate would continue to be 25 bps above the policy repo rate.

Regulation and Supervision

5. Moratorium on Term Loans

All commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions) ("lending institutions") are being permitted to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020. Accordingly, the repayment schedule and all subsequent due dates, as also the tenor for such loans, may be shifted across the board by three months.

6. Deferment of Interest on Working Capital Facilities

In respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions are being permitted to allow a deferment of three months on payment of interest in respect of all such facilities outstanding as on March 1, 2020. The accumulated interest for the period will be paid after the expiry of the deferment period.

In respect of paragraphs 5 and 6 above, the moratorium/deferment is being provided specifically to enable the borrowers to tide over the economic fallout from COVID-19. Hence, the same will not be treated as change in terms and conditions of loan agreements due to financial difficulty of the borrowers and, consequently, will not result in asset classification downgrade. The lending institutions may accordingly put in place a Board approved policy in this regard.

7. Easing of Working Capital Financing

- In respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions may recalculate drawing power by reducing margins and/or by reassessing the working capital cycle for the borrowers. Such changes in credit terms permitted to the borrowers to specifically tide over the economic fallout from COVID-19 will not be treated as concessions granted due to financial difficulties of the borrower, and consequently, will not result in asset classification downgrade.

8. Deferment of Implementation of Net Stable Funding Ratio (NSFR)

- As part of reforms undertaken in the years following the global financial crisis, the Basel Committee on Banking Supervision (BCBS) had introduced the Net Stable Funding Ratio (NSFR) which reduces funding risk by requiring banks to fund their activities with sufficiently stable sources of funding over a time horizon of a year in order to mitigate the risk of future funding stress. As per the prescribed timeline, banks in India were required to maintain NSFR of 100 per cent from April 1, 2020. It has now been decided to defer the implementation of NSFR by six months from April 1, 2020 to October 1, 2020.

9. Deferment of Last Tranche of Capital Conservation Buffer

It was subsequently decided to defer the implementation of the last tranche of 0.625 per cent of the CCB from March 31, 2019 to March 31, 2020. Considering the potential stress on account of COVID-19, it has been decided to further defer the implementation of the last tranche of 0.625 per cent of the CCB from March 31, 2020 to September 30, 2020. Consequently, the pre-specified trigger for loss absorption through conversion/write-down of Additional 8 Tier 1 instruments (PNCPS and PDI) shall remain at 5.5 per cent of risk-weighted assets (RWAs) and will rise to 6.125 per cent of RWAs on September 30, 2020.

III Financial Markets

It has been decided, in consultation with the Government, to permit banks in India which operate International Financial Services Centre (IFSC) Banking Units (IBUs) to participate in the NDF market with effect from June 1, 2020. Banks may participate through their branches in 9 India, their foreign branches or through their IBUs.

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