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आरोग्य अभियान-अनाथालयों में बर्गर पहुंचाने के लिए बर्गर किंग इंडिया और दिल्ली पुलिस ने की भागीदारी-HDFC Life Launches V

## Excess liquidity in banking system should flow to industry

TOPICS: #MVIRDC #WTC Mumbai



Ms. Rupa Naik, Senior Director, MVIRDC World Trade Center Mumbai

POSTED BY: SACHIN MURDESHWAR APRIL 18, 2020

**Banks are sitting on Rs. 6.92 lakh crore worth of liquidity, which is 3.5% of GDP**

**MUMBAI, 18 APRIL, 2020 (GPN):** Reserve Bank of India (RBI) has taken several steps today to discourage banks from sitting on idle cash and instead use them for lending to MSMEs and large industries.

Speaking on the measures taken by RBI today, **Ms. Rupa Naik, Senior Director, MVIRDC World Trade Center Mumbai** said, “Banks are risk averse to lend to the industry in the current circumstances and hence they are sitting on excess cash worth around Rs. 6.92 lakh crore, which amounts to 3.5% of India’s GDP. Banks are depositing this cash with RBI under the reverse repo window for 4% interest rate, instead of lending to industry. Today, RBI reduced this interest rate by 25 basis points to 3.75% to discourage such deposits. However, more measures need to be taken to take bankers to confidence.”

Even though the banking system is flush with liquidity, banks are risk averse to lend it to industry. As a result, even a AAA rated company (company with sound credit rating) is unable to raise funds at interest rate below 8%. This is despite the fact that RBI’s repo rate, the main policy rate at which the central bank lends to banks, has been reduced to 4.4% on March 27, 2020.

In order to infuse confidence among banks and encourage them to lend to industry, Ms. Naik suggested various measures. She suggested that the government should provide first loss guarantee of say 20% on loans extended by banks to MSMEs. This means, the government should provide guarantee for the first 20% of the default by borrowers on incremental loans offered by banks. Many countries in Europe and elsewhere have offered guarantee against loans extended by financial institutions to industry.

Another suggestion offered by the Senior Director is to increase the corpus of CREDIT GUARANTEE FUND TRUST FOR MICRO AND SMALL ENTERPRISES (CGTMSE) scheme, under which banks provide collateral-free loans to MSMEs. Increasing the corpus will enable more MSMEs to benefit by availing collateral-free loans under this scheme.

The government and RBI should hold a closed door meeting with senior officials of public sector banks and encourage them to lend to the industry. These are extraordinary times, which require extraordinary support from financial institutions to the corporate sector.

Meanwhile, Ms. Naik welcomed the other measures taken by RBI today to encourage flow of bank funding to the industry. These measures include additional targeted liquidity infusion window (LTRO) with the condition that banks lend 50% of this funds to mid and small sized NBFCs and micro finance institutions. The RBI also offered special refinance facilities to NABARD, SIDBI and NHB to promote flow of funds to agriculture, MSMEs and real estate sectors.

Ms. Naik suggested that the government should raise additional resources from the market in this extraordinary situation to fund the relief measures. “The government may raise around Rs. 1 lakh crore through issuance of tax-free COVID-19 bonds or National Health Emergency Bond to tide over the fiscal constraint in the present circumstances.” **ENDS**

HOME	AUTOMOBILE	AVIATION	BANKING	BOOKS/ART & CULTURE	BUSINESS & ECONOMY	CHEMICAL	ENT
GENERAL	HEALTH/PHARMA	INTERNATIONAL	MARKET	OTHERS	PHOTO NEWS	POLITICS	TECH

elopment University organizes a webinar on “Research Orientation in Project VS Project Orientation in Research”

## Excess liquidity in banking system should flow to industry, Banks are sitting on Rs. 6.92 lakh crore worth of liquidity, which is 3.5% of GDP

POSTED BY: SUMANT APRIL 17, 2020

MUMBAI, 17th April 2020 (GNI): Reserve Bank of India (RBI) has taken several steps today to discourage banks from sitting on idle cash and instead use them for lending to MSMEs and large industries.

Speaking on the measures taken by RBI today, Ms. Rupa Naik, Senior Director, MVIRDC World Trade Center Mumbai said, “Banks are risk averse to lend to the industry in the current circumstances and hence they are sitting on excess cash worth around Rs. 6.92 lakh crore, which amounts to 3.5% of India’s GDP. Banks are depositing this cash with RBI under the reverse repo window for 4% interest rate, instead of lending to industry. Today, RBI reduced this interest rate by 25 basis points to 3.75% to discourage such deposits. However, more measures need to be taken to take bankers to confidence.”

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in rural India through their 'Padhai Par Lockdown Nahi' campaign-Tata Trusts launches health campaign on C

## Self-sufficiency in COVID-19 related goods can help India save upto USD 3.5 billion import bill

TOPICS: #MVIRDC #WTC Mumbai



Ms. Rupa Naik, Senior Director, MVIRDC World Trade Center Mumbai

POSTED BY: SACHIN MURDESHWAR APRIL 17, 2020

**MUMBAI, 17th APRIL, 2020 (GPN):** India can save upto USD 3.5 billion of foreign exchange annually by promoting local manufacturing of key medical goods that it currently imports and which are critical to combat COVID-19 disease. In 2018-19, India imported USD 3.5 billion worth of these medical goods, that are classified broadly across nine categories. These categories include disinfectants, medical testing kits, diagnostic instruments & apparatus, face & eye protection items, gloves, other protective garments, thermometers, medical consumables and other medical devices.

Specifically, India can save USD 742 million annually by becoming self-sufficient in manufacturing a kind of life support device, that is scientifically called Extracorporeal membrane oxygenation (ECMO). This device provides prolonged cardiac and respiratory support to patients by artificially removing the carbon dioxide and oxygenating red blood cells. Besides this device, India annually imports USD 140 million worth medical ventilators and other oxygen support apparatus.

India buys USD 597 million of medical test kits from foreign suppliers, which can be avoided by creating indigenous manufacturing capacity. Similarly, India is also an importer of syringes, needles, catheters and other medical consumables worth USD 424 million annually. The country buys USD 112 million worth of gloves, made of rubber, textile, plastics and other materials from other countries.

Speaking about the potential for local manufacturing of these goods, Ms. Rupa Naik, Senior Director, MVIRDC World Trade Center Mumbai said, "India is already a net exporter of these goods, suggesting that India has competitive advantage in producing these goods. The present crisis should be used as an opportune time to mobilize domestic resources and rethink our import dependence for some of these goods."

India exports USD 12.91 billion worth of these nine category of medical goods annually, while it imports USD 3.5 billion worth of these goods, thereby running a trade surplus of USD 9.36 billion. The detailed list of these goods exported and imported by India in 2018-19 is given in the following table.

India's Exports and import of goods related to COVID-19 in 2018-19							
Sr. No	Broad Category	HS Code (6-digit)	Brief Description	Exports (USD million)	Share in total merchandise exports (%)	Imports (USD million)	Share in total merchandise imports (%)
1	COVID-19 Test kits	382200	Diagnostic reagents based on polymerase chain reaction (PCR) nucleic acid test	34.91	0.02	476.31	0.09
2		300213	Diagnostic reagents based on immunological reactions	88.80	0.03	120.81	0.02
3	COVID-19 Diagnostic Test instruments and apparatus	902790	Instruments used in clinical laboratories for In Vitro Diagnosis	34.05	0.01	372.23	0.07
4	Face and eye protection	630790	Reusable face-masks	47.180	0.14	11.77	0.01
5		902000	Goggles; Also includes such masks incorporating eye protection or facial shields	2.99	0.00	17.76	0.00
6		900490	Protective spectacles and goggles	34.44	0.00	16.00	0.00
7		392620	Plastic face shields (covering more than the eye area)	7.96	0.00	12.42	0.00
8		392620	Plastic gloves	7.96	0.00	12.42	0.00
9		401511	surgical rubber gloves	35.05	0.01	22.92	0.00
10		401519	Other rubber gloves	6.70	0.00	61.80	0.01
11	Gloves	611610	Knitted or crocheted gloves which have been impregnated or covered with plastics or rubber	15.07	0.00	12.97	0.00
12		621600	Textile gloves that are not knitted or crocheted	22.99	0.01	2.14	0.00
13		600200	Disposable non-mesh	17.50	0.01	13.74	0.00
14	Other protective garments	622010	Protective garments for surgical/medical use	3.50	0.00	3.01	0.00
15		622020	Other protective garments of textiles of rubberses textile fabrics or woven fabrics	4.56	0.00	0.24	0.00
16		622030	Other protective garments of textiles of rubberses textile fabrics or woven fabrics	0.70	0.00	0.27	0.00
17		622040	Other protective garments of textiles of rubberses textile fabrics or woven fabrics	27.95	0.01	6.48	0.00
18		622090	Other protective garments of textiles of rubberses textile fabrics or woven fabrics	0.69	0.00	2.36	0.00
19		392620	Protective garments made from plastic sheeting	7.96	0.00	12.42	0.00
20	Thermometers	902511	Liquid filled thermometer for direct reading	2.39	0.00	3.14	0.00
21		902519	Other thermometers	11.09	0.00	29.85	0.01
22	Disinfectants/ Sterilisation products	220710	Alcohol solution	76.42	0.02	1.66	0.00
23		220890	Alcohol solution	2.29	0.00	84.44	0.02
24		380894	Hand sanitizer and other disinfectant preparations	21.13	0.01	9.93	0.00
25		841920	Medical, surgical or laboratory sterilisers	6.39	0.00	41.39	0.01
26	Other medical devices	284700	Hydrogen peroxide in bulk	0.33	0.00	12.71	0.01
27		300490	Hydrogen peroxide presented as a medicament	11206.56	3.40	752.61	0.13
28	Other medical devices	901890	Extracorporeal membrane oxygenation (ECMO)	218.80	0.07	742.14	0.14
29		901920	Medical ventilators and other oxygen therapy apparatus including oxygen tents	7.40	0.00	140.13	0.03
30		901819	Electro-diagnostic apparatus	309.54	0.03	61.88	0.01
31	Medical Consumables	300590	Wadding, gauze, bandages, cotton socks and similar articles used for medical use	48.82	0.01	16.60	0.00
32		901831	syringes, with or without needles	32.23	0.01	63.67	0.01
33		901832	Tubular metal needles and needles for sutures	35.58	0.01	31.97	0.01
34		901839	Needles, catheters, cannulae and the like	30.06	0.09	289.41	0.06
35		481890	Paper bed sheets	3.31	0.00	3.58	0.00
Total				12934.52	3.9125	3548.3	0.6904

Source: Ministry of Commerce & Industry, Government of India

## APIs, Hydroxychloroquine

In the wake of the COVID-19 outbreak, India imposed restriction on export of active pharmaceutical ingredients, their formulations, diagnostic kits and the anti-malarial drug hydroxychloroquine. Recently, India reversed some of these decisions by allowing export of 24 drugs [also called active pharmaceutical ingredients (APIs) and their formulations] as any restriction on shipment would hurt the earnings of most pharmaceutical companies. India also agreed to allow export of hydroxychloroquine on case-to-case basis to select countries.

In 2018-19, India exported USD 15.3 billion worth of these goods cumulatively, while it imported USD 4.1 billion worth of these goods. Thus, India can also explore domestic manufacturing of these goods to save USD 4.1 billion foreign exchange. In this regard, the central government's recent decision to promote three mega bulk drug parks by providing financial support for common infrastructure facilities is a welcome move.

**The following table provides export and import of these goods in 2018-19**

Export of APIs, hydroxychloroquine, diagnostic kits in 2018-19				
Sr. No	HS Code (8 digit)	Product Description	Export USD million	Import USD million
1	29334900	hydroxychloroquine	151.32	47.92
2	29333990	hydroxychloroquine	393.37	215.9
3	29339900	hydroxychloroquine	846.5	659.69
4	30049059	Formulations of hydroxychloroquine	174.87	0.02
5	30049099	Formulations of hydroxychloroquine	5806.41	633.36
6	29332910	Tinidazole	3.66	0.07
7	29332920	Metronidazole	16.63	9.19
8	29335990	Acyclovir	318.97	338.04
9	29362210	Vitamin B1	12.2	21.15
10	29362500	Vitamin B6	0.42	13.33
11	29362610	Vitamin B12	1.98	44.76
12	29372300	Progesterone	2.13	45.33
13	29414000	Chloramphenicol	3.24	2.41
14	29415000	Erythromycin Salt	137.11	150.69
15	29419050	Neomycin	0.05	3.03
16	29419090	Clydamycin Salt	479.14	410.47
17	29420090	Ornidazole	947.55	371.33
18	30042050	Formulations of Chloramphenicol	5.23	
19	30042061	Formulations of Erythromycin Salt	14.48	0.03
20	30042095	formulations of Clydamycin Salt	33.57	5.88
21	30043919	Formulations of Progesterone	20.36	5.17
22	30045032	Forumaltions of Vitamin B1	4.8	4.8
23	30045034	Formaltions of Vitamin B12	11.3	NA
24	30045039	Formulations of Vitamin B6	44.74	0.1
25	30049015	Formulations of Neomycin	0.95	6.49

26	30049021	Formulations of Ornidazole	23.92	1.68
27	30049022	Formulations of Metronidazole	42.05	0.57
28	30049023	Formulations of Tinidazole	2.24	NA
29	30049099	Formulations of Acyclovir	5806.41	633.36
30	38220000	Diagnostic Kits	54.91	476.31
Total			15360.49	4101.08
<b>Source: Ministry of Commerce &amp; Industry, Government of India</b>				

### **Tariff on Imports**

India has already imposed high tariff on medical goods, suggesting less room for further increasing tariff to discourage imports. India's average applied MFN tariff for medical goods stands at 11.6%, compared to the world average of 4.8% (Source: WTO). India imposes 15% average MFN tariff on medical supplies (which includes disinfectants, needles, syringes, test kits, bandages etc.), while the corresponding world average tariff is 6.2%. For respirators, India imposes an import duty of 10%, while China imposes 4% (Source: WTO)[i]. Around 67 member countries of WTO have waived duty on respirators or ventilators and they include European Union, USA, Republic of Korea, and Switzerland.

Therefore, the only way to encourage local manufacturing of these goods is development of indigenous technologies, creating quality standard norms and developing an ecosystem of ancillary vendors.

### **Global Trend**

Currently, India does not figure in the top 10 exporters of medical products (which include medicines, lab equipments, personal protective equipments and consumables). Germany, USA, Switzerland and Netherlands are the top four exporters of these products in the world.

Currently, China, Germany and USA supply 40% of personal protective equipments to the world, while more than 50% of respirators and ventilators are supplied jointly by Singapore, USA, Netherland and China.

However, the interesting thing to note is that almost all the top 10 medical goods exporting nations are also the top importers of these goods, thereby suggesting that a country cannot attain complete self-sufficiency in these goods. For example, Germany and USA are not only top two exporters but also the leading two importers of medical goods. Netherlands, which is the fourth largest medical goods exporter, is also the fifth largest importer of these products. Ireland is the only top 10 medical goods exporter that does not figure in the top 10 list of importing countries of these products. **ENDS**



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ing concerns of the salon industry, Godrej Professional announces Salon Suraksha Program to support salons fc

## Lending rates for MSMEs should decline post RBI measures

TOPICS: #MVIRDC MVIRDC World Trade Center Mumbai



POSTED BY: SACHIN MURDESHWAR MAY 22, 2020

- MSME borrowers continue to pay more than 8% interest rate, which is double the RBI policy rate

**MUMBAI, 22 MAY, 2020 (GPN):** MVIRDC World Trade Center Mumbai welcomes the timely actions taken by Reserve Bank of India (RBI) on May 22, 2020 to provide relief to distressed MSMEs, exporters and large companies amidst the extended lockdown period.

With this, the responsibility of reducing lending rates has moved to banks so that the ultimate borrowers can benefit from the RBI's measures immediately.

Speaking on the measures taken by RBI today, **Ms. Rupa Naik, Senior Director, MVIRDC World Trade Center Mumbai** said, "We need to see the reduction in repo rate translating into fall in lending rates for borrowers. MSMEs are borrowing at more than 8.0%, even though the RBI's repo rate has been reduced 115 basis points since March 27 to the current level of 4.0%. Since April 17, the 5-year corporate bond rate has fallen hardly 48 basis points. I hope in the days to come, we will see decline in interest rates for the ultimate borrowers."



Ms. Naik remarked, “Exporters who are facing delay in getting payments from their overseas clients were anxiously waiting for relaxation in the timeline of their shipment credit. I hope the RBI’s move to increase the permissible period for pre-shipment and post-shipment credit will benefit these exporters.”

These measures, together with the measures announced by Government of India last week will cushion the short-term liquidity needs of MSMEs, who are the mainstay of employment creation, exports and economic growth. On May 13, Government of India announced Rs. 3 lakh crore worth of emergency credit lines for 45 lakh MSMEs and Rs. 20,000 crore worth of subordinate debt facility for 2 lakh MSMEs, who are unable to repay bank loans.

Speaking about future course of action for policymakers, Ms. Naik suggested, “In future, depending on the evolution of the circumstance, RBI should provide for one-time restructuring of MSME loans so that these enterprises are not burdened with immediate loan repayment obligation after the lockdown.”

Ms. Naik also suggested early relaxation of industrial activity in safe areas within red zones with adequate safety protocols so that MSMEs can restart their operations and minimize their losses. According to an estimate by Reserve Bank of India, the top 6 industrialised states that account for about 60% of industrial output are largely in red or orange zones, where economic activity is restricted.

She said, “RBI and government’s move to provide liquidity support to MSMEs will be meaningful only if they are allowed to operate in a timely manner. MSMEs can take fresh loans only if they are allowed to restart their operations. We need the coordination of all state governments to restore supply chains that span across state borders.” **ENDS**

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						SPORTS

k: Building the new commercial operating model, an opportunity to build capabilities for the future - Masala K

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Ms. Naik lauded the RBI for offering line of credit to EXIM Bank, extending the moratorium period for repayment of loans, and reducing the policy interest rate by 40 basis points.

Ms. Naik remarked, "Exporters who are facing delay in getting payments from their overseas clients were anxiously waiting for relaxation in the timeline of their shipment credit. I hope the RBI's move to increase the permissible period for pre-shipment and post-shipment credit will benefit these exporters."

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## Lending rates for MSMEs should decline post RBI measures

Published on May 22, 2020

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