

## Survey on MSMEs: Impact of lockdown and special economic package

**Contact:**

**Madan Sabnavis**  
Chief Economist  
[madan.sabnavis@careratings.com](mailto:madan.sabnavis@careratings.com)  
91-22-6837 4433

**Authors:**

**Kavita Chacko**  
Senior Economist  
[kavita.chacko@careratings.com](mailto:kavita.chacko@careratings.com)  
91-22-6837 4426

**Mradul Mishra (Media Contact)**  
[mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)  
91-22-6837 4424

**Disclaimer:** This report is prepared by CARE Ratings Ltd. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report.

CARE Ratings surveyed MSMEs to assess the impact of the lockdown and examine if the segment has benefitted from the central government's special economic package announced in May'20 which primarily comprised of liquidity support thorough collateral-free and government guarantee backed bank loans.

### Survey Method

The Survey was conducted over 2 weeks from 23 June – 7 July'20 and saw the participation of 345 respondents from a cross-section of sectors such as manufacturing, construction, power, engineering, electric and electronics, textiles, food products, packaging, financial services, IT, health care, hospitality, trading, gems and jewellery, printing, auto and auto components, pharmaceuticals, real estate, education, agriculture and allied sectors, FMCG, metals, service providers among others.

The size of the business of the respondents in terms of turnover ranged from less than Rs. 25 crores to Rs.100 crores. The majority of respondent (62%) belonged to the category of 'turnover of less than Rs. 25 crs'.18% have a turnover of 'more than Rs.25 crores but less than Rs.50 crores', 8% are in the category of 'more than Rs.50 crores but less than Rs.75 crores' and 12% have a turnover of 'more than Rs.75 crores but less than Rs.100 crores'.

The Survey questionnaire was divided into 4 parts. Part 1 covered the special economic package for MSMEs, part 2 examined the impact of the lockdown on the sector while part 3 and part 4 comprised benefits from change in definition of MSMEs and future prospects respectively.

### Summary of Findings

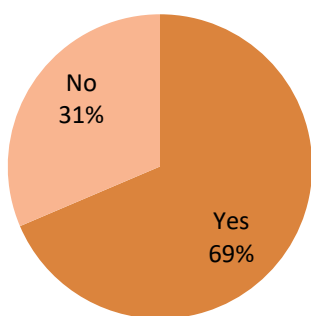
- Nearly 70% of the respondents have approached banks for collateral free and government guaranteed loans and the majority intend to borrow less than Rs. 1 crore.
- Banks have so far sanctioned loans to around one-third of the applicants and the cost of borrowings is 8-9% for most of the borrowers.
- The majority of respondents (over half) have availed moratorium from banks while fewer (27% of those it is applicable) have been able to do so from NBFCs.
- The lockdown has severely impacted the bulk of the respondents (over 60%).
- Fall in demand, contraction in cash flows, finance, labour shortage, logistical constraints and increasing receivables are amongst the main challenges faced by the segment due to the lockdown.

- A third of the respondents have faced revenue losses of over 50% in the last 3 months.
- Over 60% of the respondents have been unable to pay full salaries to their staff. However, only a quarter of those surveyed have retrenched their staff.
- Nearly half the respondents feel that they stand to benefit from the change in definition of MSMEs and a major part plan to increase their size.
- The prevailing anti-China sentiments has not brought about noteworthy changes in terms of fresh business for the larger number of those surveyed.
- In terms of assistance, MSME’s are seeking interest waivers, extension in moratorium, loan restructuring, tax cuts, financial support from banks and government, direct cash transfers, relief in electricity and water charges among others.
- Most of the respondents (65%) expect that it would take 12 months and more for their business to get to normal.
- Nearly half those surveyed expect their business situation to improve in the next 6 months.

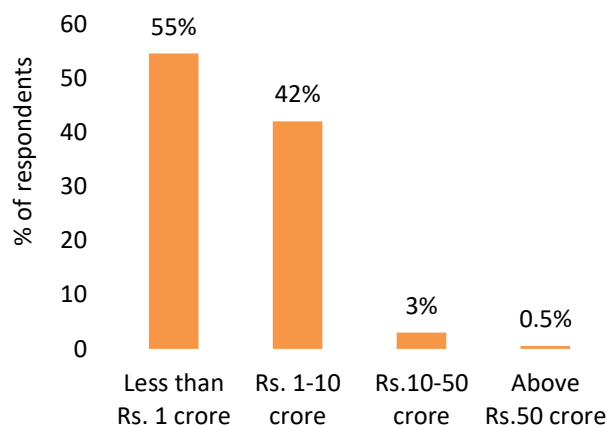
**Survey Responses**

**Section A: Special Economic Package for MSMEs - Bank borrowings by SMEs on account of collateral free loans and central government backed guarantees**

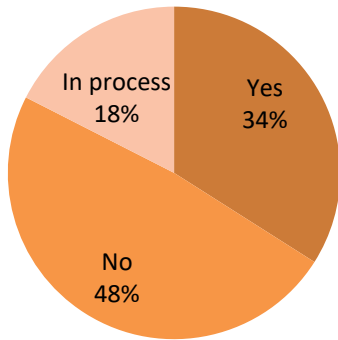
**Q1 . Have you approached banks for your funding requirements post the central government’s announcement of guaranteed collateral-free loans?**



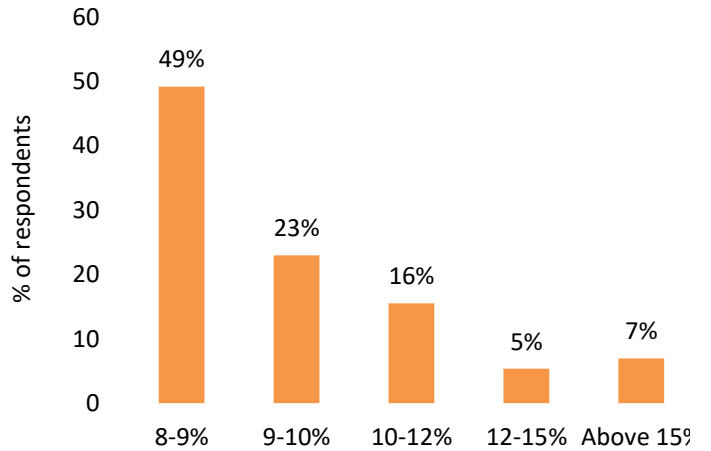
**Q.1.1 How much did you propose to borrow?**



**Q1.2. Has the bank sanctioned the loan with government guarantee**

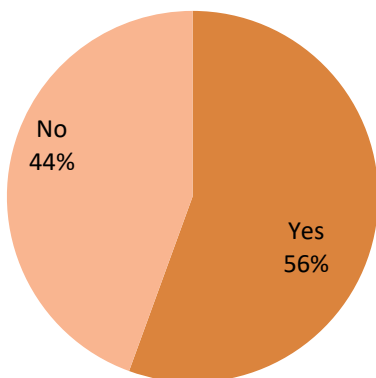


**Q1.3. What was your borrowing cost?**

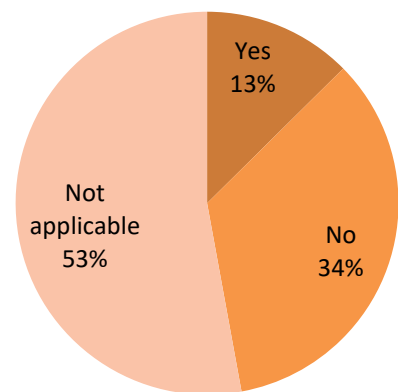


- Nearly one third of the applicants have been sanctioned loans by banks and the cost of borrowings is 8-9% for most of the borrowers.
- Banks have sanctioned loans mainly to the small sized businesses. Establishments with turnover of less than Rs.25 crores accounted for over 53% of the sanctioned loans followed by businesses with turnover of more than Rs.25 crores and less than Rs.50 crores which accounted for 31% of the sanctioned loans.
- The manufacturing sector accounted for the largest share of sanctioned loans (25%), followed by textiles (12%), construction and engineering (7% each).

**Q2. Have you been able to avail full moratorium from your banks?**



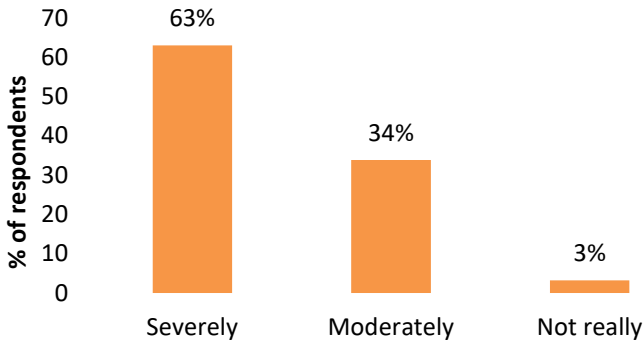
**Q3. Have you been able to avail full moratorium for NBFCs borrowings, if any?**



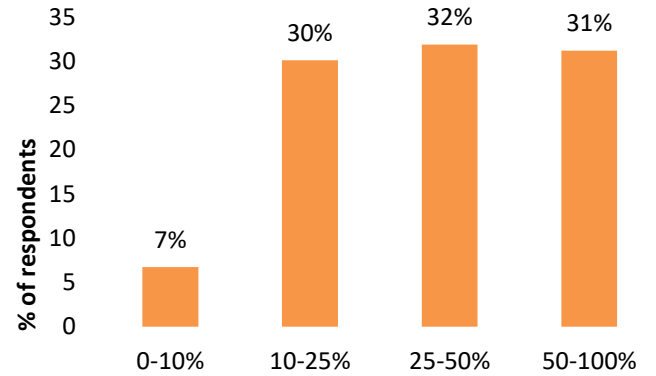
- Bank moratorium has been availed by the majority of respondents. Of these, the small sized business i.e. with turnover of 'less than Rs.25 crores' accounted for the largest share (57% of those that sought moratorium). Companies with turnover size of 'more than Rs.25 crores but less than Rs. 50 crores' accounted for a 26% share.
- Among the sectors that availed bank moratorium manufacturing (23%), construction (8%), engineering (8%), textiles (8%), services (7%) and power (5%) accounted for the largest share.

**Section B: Impact of lockdown**

**Q4. Have you been impacted by the lockdown?**

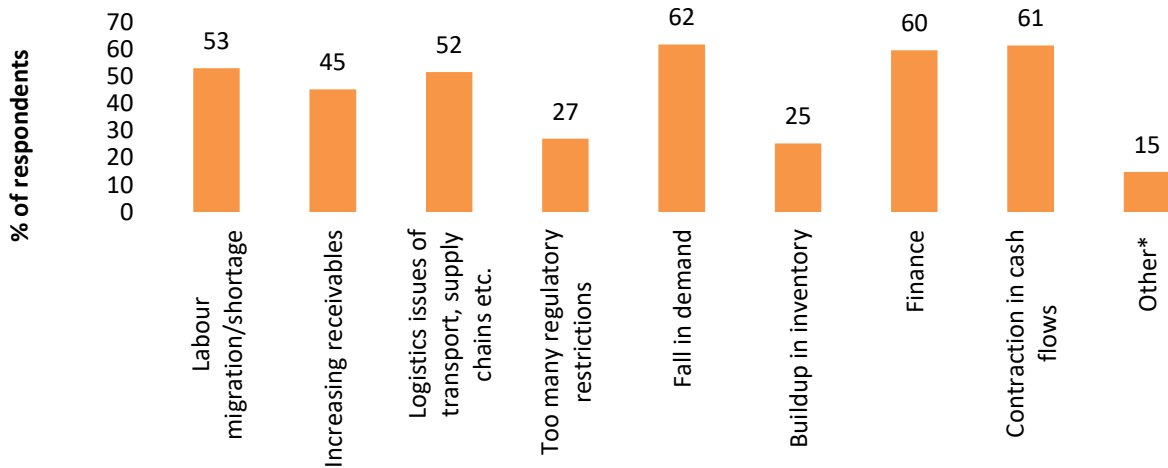


**Q5. How much revenue loss have you faced in the last 3 months?**

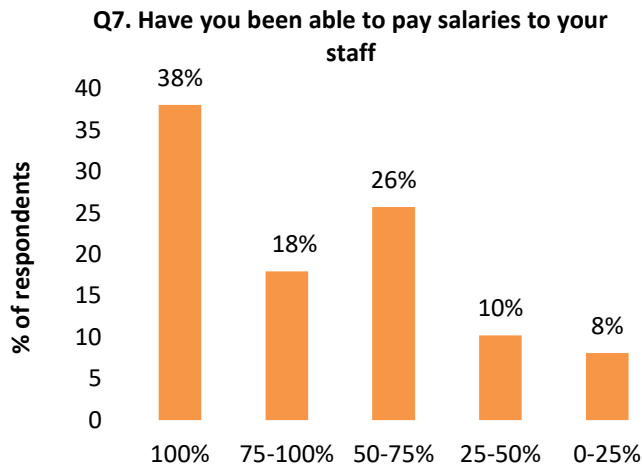


- A third of the respondents have faced revenue losses of over 50% in the last 3 months. Most of these companies had a turnover of ‘less than Rs.25 crores’ (76%) and belonged to the manufacturing (24%), power (14%), construction (9%), services (9%), textiles (7%) and engineering (5%) sector.

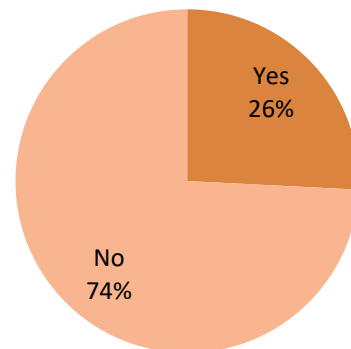
**Q6. What are the main challenges for your activity due to lockdown?**



\*Others include cancellation of orders, interest burden, burden of fixed costs and wages, lower government spending, depleting margins and high fixed costs, shut down of production



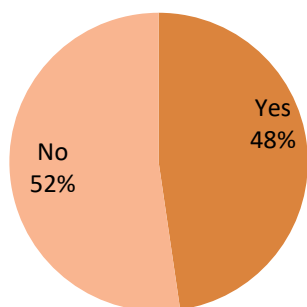
**Q8. Has there been any retrenchment of staff?**



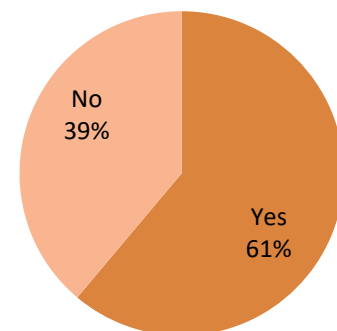
- Over 60% of the companies surveyed have been unable to pay full salaries to their staff and most of these (70%) are the small sized establishments i.e. those with turnover of less than Rs.25 crores. Companies mainly belonging to the manufacturing sector (23% share), construction (8%), power (8%), services (8%), textiles (6%) and engineering (6%) have not been able to pay full salaries to their staff.
- The majority of companies (74%) have retained their staff.

**Section C: Benefits from change in definition of MSMEs**

**Q9. Is the change of MSME definition beneficial for you?**



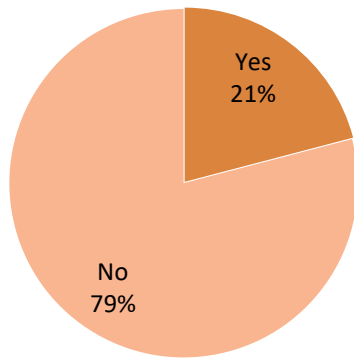
**Q.10. Do you plan to increase in size now?**



- Nearly half the respondents feel that they stand to benefit from the change in definition of MSMEs and a major part plan to increase their size.
- 60% of the respondents who feel that they stand to benefit from the change in MSME definition belong to the 'less than Rs.25 crores' turnover size.
- Higher number of companies in the manufacturing and power sector intend to increase their size.

Section D: Future Prospects

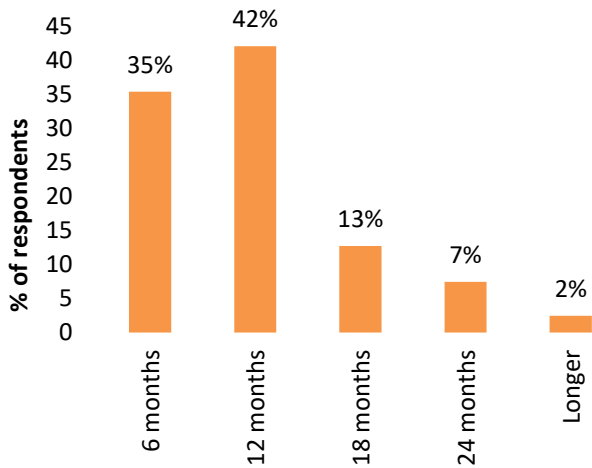
**Q11. Are you getting new contracts from large manufacturers in the wake of anti-China sentiments?**



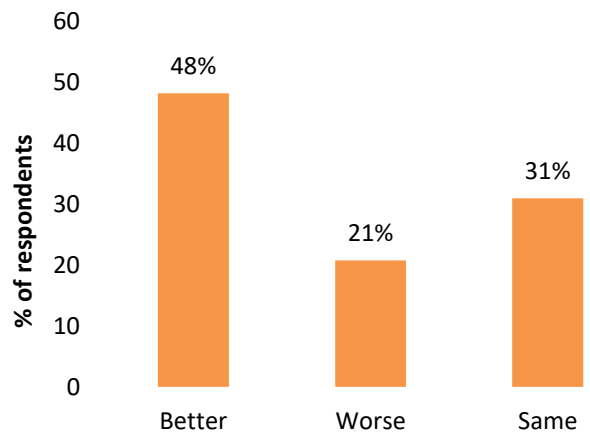
**Q12. What are the top 2-3 areas your business needs assistance/relief for?**

- Interest Waiver
- Relaxation in taxation rates
- Relaxation in compliance rules
- Financial Support from banks and government
- Timely payment from government organizations
- Relief - electricity bills and water charges
- Financial Support for staff and overheads payment
- Extension of moratorium
- Loan restructuring
- Modification in labor laws
- Direct cash transfer

**Q13. How long do they think it will take for your business to get normal?**



**Q14. Do you expect the business situation of your company during the next 6 months to be**



- Most of the respondents (65%) belonging to the manufacturing, construction, power, textiles, engineering and services sector expect that it would take 12 months and more for their business to get to normal
- Nearly half those surveyed expect their business situation to improve in the next 6 months and majority of these belong to the manufacturing sector.

**CARE Ratings Limited**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022. CIN: L67190MH1993PLC071691  
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457  
 E-mail: [care@careratings.com](mailto:care@careratings.com) | Website: [www.careratings.com](http://www.careratings.com)

Follow us on /company/CARE Ratings  
 /company/CARE Ratings