

## MSMEs Prepare for Further Squeeze

Cos brace for layoffs, even closure, if the impact of pandemic persists beyond April

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**Mumbai:** Medium and small businesses are bracing themselves for extended pain, layoffs, and even closure if the Covid-19 pandemic continues beyond April as they lack the deep pockets to sustain business if revenue generation takes a hit.

Businesses are already struggling as working from home has reduced efficiency for many.

"We do not have the infrastructure like video conferencing and hence a small company in, say, Nashik cannot serve a customer in Delhi without in-person interaction," said Sudhir Mutalik, managing director at Positive Metering Pumps, a Nashik-based dosing pumps and systems maker.

For payment collection too, smaller companies rely on sending collection agents, he said.

Moreover, while white-collar jobs may be done remotely, that is not true for manufacturing. A complete lockdown to mitigate social spreading of the coronavirus may impact the revenue generation of manufacturing companies.

"Secondary producers are typically smaller in size and have lower diversification in terms of products and markets, which keep them in a more disadvantageous position," said Jayanta Roy, senior vice president at ratings agency ICRA.

Micro, small and medium enterprises (MSMEs) contribute about 30% to India's \$2.7 trillion GDP, as per MSME ministry data, and employ about 111 million people. A third of these enterprises are involved in manufacturing operations.

"Some of the major challenges faced by MSMEs would be with labour force and bank loans, as there would be expenses on paying salary and EMIs," said Chandra-

### Severe Blow

Work from home has reduced efficiency of many SMEs

Cashflow to be hit if there is a lockdown for even 10-15 days

A complete lockdown will impact the revenue generation of manufacturing firms

These firms are seeking disbursement of working capital from banks with lower collateral



jit Banerjee, director general of industry lobby CII.

Companies are not yet considering lay-offs but in the absence of revenue generation, a medium or small enterprise on average would not be able to pay its employees beyond a month, experts said.

"At the moment, we are not planning any lay-off. But, if things get worse, we will lay-off workers who travel long distance. It has to happen," said Anand Kumar Bhargava, chief executive officer, All India Steel Re-Rollers Association. White-collar workers would be the first casualty if companies are forced to give pink slips to employees unlike blue-collar workers, who were protected by union laws, said Mutalik, who is also the vice chairman at CII's Maharashtra State Council.

Another reason for worry for companies employing contractual workers is that once normalcy returns, it will take time to get the workers back from their hometowns, according to Rishi Bagla, director at OMR Bagla Automotive Systems.