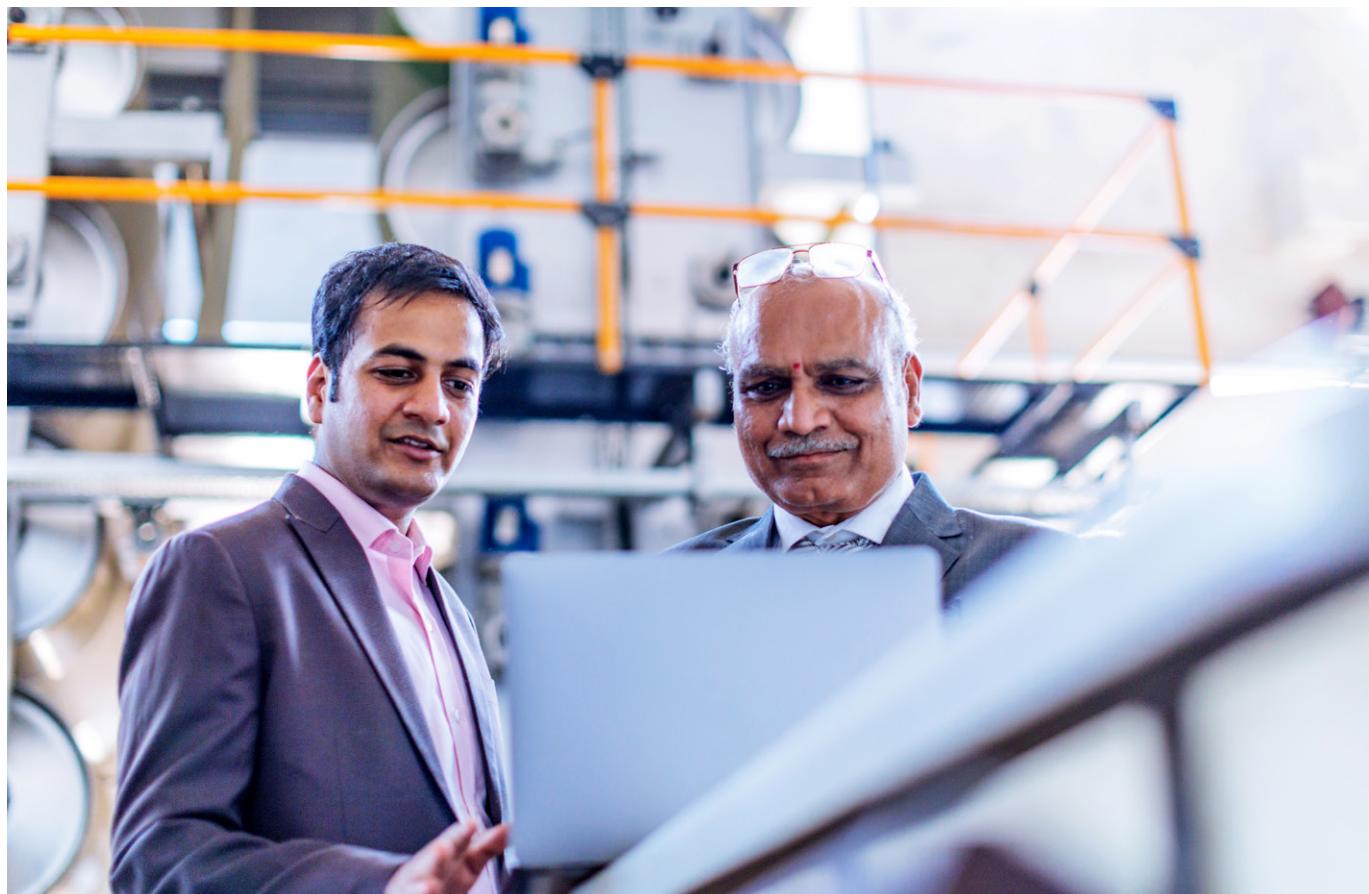


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COVID-19: Lockdown 2.0 – India is Gradually Restarting the Economy



On 14 April the Government of India issued an Order (the "Order") and consolidated guidelines, announcing the extension of the lockdown measures until 3 May 2020. At the same time it announced relaxations which will take effect on 20 April 2020 and included some additional activities which shall be permitted.

The authorities continue to monitor the spread of the virus and have marked certain areas as hot spots. Within the hot spots, areas will be demarcated by relevant district administration as containment zones (red, orange, green). In the containment

zones (red and orange) all activities will be suspended except the ones specifically permitted under the guidelines of the Ministry of Health and Welfare (MoHW), those permitted under the revised guidelines will not be applicable. An area/district in which no new case has been reported in the last 14 days will be changed from red to orange and if no new case is found within further 14 days, it will be moved to a green zone.

All establishments have to adhere to the standard operating procedures for social distancing for offices, workplace, factories and establishments issued by the Ministry of Home

Affairs and maintain a very strong vigil on hygiene. Now is the obligation imposed on employers to ensure that all employees, irrespective of their salary, have a medical insurance coverage.

The Government is currently also assessing the impact on the Indian economy and the possibility of a second stimulus package to ease the burden on specific sectors which are mostly affected by the lockdown measures as well as on the most economically vulnerable part of the population.

A. Key Changes

The activities listed below include only the major changes. All exceptions which are related to the provision of essential services or the manufacturing and distribution of essential goods which were in force prior to the notification of the Order and the revised guidelines, are not explicitly mentioned.

The full text of the Order can be found on the official website of the Ministry of Home Affairs: <https://www.mha.gov.in/>

1. Industrial Establishments

All industrial activities in rural areas and outside municipal and city limits have been allowed, including manufacturing and processing of essential goods such as food items, drugs, medical supplies and equipment.

Manufacturing and other industrial establishments in special economic zones (SEZ), export oriented units (EOU), industrial estates and industrial townships can also restart operations. Employers are requested, as far as possible, to organise lodging for the workers within the premises or nearby. If transport is necessary, the employers shall organise it and ensure social distancing.

Manufacturing of IT hardware and jute industries are permitted without restrictions. Further, manufacturing units which require continuous operations, irrespective of the type of goods, will not be required anymore to obtain prior permission.

While the industry will be somehow relieved, many restrictions will remain in place, especially on factories, establishments and service industries operating within city and municipal limits.

2. Commercial Establishments

The revised guidelines have extended the exceptions to cover non-essential operations in several sectors.

For example all IT and IT enabled services (ITeS) can now resume operations with up to 50% workforce. ITeS encompass many business process outsourcing services and will have noticeable impact on the industry. The industry association NASSCOM has issued an advisory on 16 April, recommending gradual restarting of operations in the period between 20 April and 31 May in three phases – 10-15%, 15-30% and 30-50% respectively.

A relaxation has been included also for e-commerce companies. Vehicles for deliveries of e-commerce operators can ply with necessary permission. The decision is beneficial for consumers as well as for many companies, which have faced difficulties to continue operations from home office, because of the ban of deliveries for non-essential goods such as stationaries, spare parts for IT hardware etc.

A big relief for self-employed persons such as electricians, plumbers, carpenters etc. is the lifting on the restrictions for their services under the revised guidelines.

3. Cargo Movement

Previously only cargo movement of essential goods was permitted. Under the revised guidelines all cargo movement through road and railways has been allowed, including loading and unloading at major ports and land ports. Operations of airports and related facilities for air transport for cargo movement, relief and evacuation will continue.

A relaxation has also been included for the movement of trucks and other vehicles for all goods. Additionally highway restaurants and food stalls (dhabas) will be allowed to resume operations.

Cold storage and warehousing services, individual units and other links in the logistics chains as well as courier services are now also permitted.

4. Construction Work

Under the new guidelines the ban on construction activity in rural areas and outside city and municipal limits and industrial

parks, including those under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has been lifted.

Within municipal limits construction work is only permitted for projects which have already started and where workers are available on site and do not have to be brought in from elsewhere (in situ construction).

B. Outlook

India has taken early measures to slow down the spread of the novel coronavirus and prepare better for the outbreak. While the comprehensive lockdown has achieved the intended purpose, the economy, as in all countries around the world, has been severely impacted. The World Bank has revised its predictions on India's GDP growth to 1.5%-2.8%. According to IMF's World Economic Outlook, India and China will be the only two major economies to grow in 2020. IMF expects India's economy to grow at 1.9% in 2020 and 7.4% in 2021.

C. How We Can Help

Our team in India is monitoring and assessing the daily changes in the regulatory framework and can help you to identify the applicable measures introduced by the Government. With our expertise and recommendations, we can also support you to take actions for sustaining your business operations or to bring them in line with statutory compliance requirement. If you wish a Compliance Health Check or need any other support, please reach out to us.

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