



FM announces new stimulus measures to bring India out of a “historic” recession

- ✓ The government on Nov 12, 2020 announced a slew of new measures, when economists across the spectrum have called for further impetus to aid a revival in an economy witnessing a historic contraction. The last stimulus support of INR 21 lakh crore, the controversial Atmanirbhar Bharat 1.0 package, introduced in May is believed to have largely failed to soften blow of the strict shutdown as it focused on providing liquidity and collateral-free credit for small businesses but with little actual spending.
- ✓ Several new measures to further jumpstart our economy were announced. The main thrust seems to be on core sectors related areas – construction, infrastructure, housing, and agriculture.

	Announcements	Details	Outlay
1	Ease of doing business	<ol style="list-style-type: none"> Earnest Money Deposit (EMD) stands abolished, replaced by a self attested “Bid Security Declaration” Bank Guarantee related Performance Security amount reduced to 3% from a high of 5-10% for undisputed projects Timeline till December 31, 2021 <ul style="list-style-type: none"> This is expected to help EPC and Project Developers with additional liquidity to undertake further projects 	As per actuals
2	Incentivising employment creation during COVID-19 recovery phase	<ul style="list-style-type: none"> Central government to give subsidy on new employment generated Employee and employer contribution of 12% each (24%) to be borne by government, for next 2 years; aimed at easing financial burden on companies 95% of all (organised sector) establishments estimated to be covered under this scheme 	As per actuals on Aadhar Seeded EPF accounts
3	Emergency Credit Line Guarantee Scheme (ECLGS 1.0) extended till March 31, 2021 ECLGS 2.0. Guaranteed credit for supporting 26 stressed sectors	<ul style="list-style-type: none"> MSMEs, business enterprises, individual loans for business purposes, MUDRA borrowers eligible ECLGS 2.0 - to be utilized for 100% guaranteed collateral free additional credit at capped interest rate. Applicable for loans O/S of up to INR 500 crores <ul style="list-style-type: none"> ✓ No cap on turnover ✓ Additional credit of up to 20% ✓ Tenor to be 1 + 4 years (12 months moratorium) ✓ SMA 0 accounts included 	Within existing INR 3 lacs crores outlay
4	Grant based Performance Linked Incentive (PLI) scheme to boost “Make in India”	Please refer to our earlier separate article on PLI scheme	INR 2 lacs crores
5	Focus on Housing and related core sectors	<ul style="list-style-type: none"> Grounding of 12 lacs houses and completion of 18 lacs houses 78 lakh additional jobs expected in core sectors – cement, steel, and allied sectors 	INR 18,000 crore additional outlay (over and above earlier INR 8,000 crore) for urban leg of PM Awaas Yojana
6	Income tax relief for developers and homebuyers, to boost demand for residential real estate	<ul style="list-style-type: none"> Increase differential between circle rate and agreement value from current 10% to 20% (under section 43CA) from now till 30 June 2021. Only applicable for primary sale of units valued at <INR 2 crores Consequential relief of up to 20% shall also be allowed for buyers of these units under section 56(2)(x) Expected to address problem of unsold inventory to some extent by encouraging new home buyers 	As per actual relief
7	Support for Agriculture	<ul style="list-style-type: none"> To provide support in the form of subsidy to meet increased fertilizer demand of 673 lacs MT for the rest of the Fiscal Year Expected to help 140 mn farmers 	INR 65,000 crores to ensure adequate & timely availability of fertilisers.
8	Enhance Rural Employment	<ul style="list-style-type: none"> Enhanced outlays under PM Garib Kalyan Rozgar Yojana To help create more opportunities for rural employment 	INR 10,000 crores
9	Enhanced Line of Credit for Project Exports	<ul style="list-style-type: none"> To enhance support to Export – Import (EXIM) Bank of India for promotion of project exports through Lines of Credit under IDEAS scheme 	INR 3,000 crores
10	Enhance outlay for targeted public expenditure	<ul style="list-style-type: none"> Additional budget outlays for Domestic Defence Industry, Green Energy and Industrial Infrastructure 	INR 10,200 crores
11	Government increases Equity in NIIF Debt platform	<ul style="list-style-type: none"> To enhance the capability of NIIF to raise further INR 95,000 crores from private sector and capital markets Help achieve goal of funding INR 1.1 lacs crores worth of Infrastructure Project Funding 	INR 6,000 crores

Our View

Our government is aware that boosting only supply side parameters has not had the desired effect on the economy. The last stimulus did not have its intended effect and our economy is in a recession. The latest announcements of Nov 11 – 12, 2020 are a combination of both demand and supply side measures aimed at enhancing employment, money circulation, government spending and certain targeted fiscal actions viz., tax relief and PF subsidies. We hope these measures partially targeting the “demand side” will have some effect on pushing our aggregate demand up by boosting output, creating employment and increasing money circulation.