



NATIONAL RESTAURANT ASSOCIATION OF INDIA

NRAI/26-1

09 April 2020

Mr. Amitabh Kant

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APPEAL FOR RELIEF TO RESTAURANT INDUSTRY

IN VIEW OF THE CORONA VIRUS

Dear Sir,

Greetings from **National Restaurant Association of India (NRAI)**. Sir, at the outset, we congratulate the Government for the valiant efforts being made to control the spread of Novel Coronavirus in India. As responsible citizens, we stand firmly by the Government in this fight. We are doing our bit by leveraging our food production infrastructure to **produce and serve free meals to the underprivileged**. We have served almost **half a million meals in first week** itself.

Sir, we totally understand that most efforts and resources of the Govt is currently being deployed towards fighting this virus. We also understand that unless we know the duration of this disruption and the level of damage caused by it, we are not in a position to either assess our losses or come up with any comprehensive stimulus request for our sector. We are however sure in our assessment that **our sector is staring at a complete decimation** and we therefore seek a few urgent interventions from you to keep ourselves afloat.

We have categorised our concerns in three broad categories, i.e., **People Related Issues, Operating Issues** and Expected **Policy Support**. Details are as under:

A. PEOPLE-RELATED ISSUES

As employers to over seven million people, our first priority is to ensure that **our employees don't face any major financial issues** during the period of lockdown and **also in its immediate aftermath**. If we fail to achieve this, we fear that it may end up giving birth to larger social problems.

ANURAG KATRIARExecutive Director & CEO
deGustibus Hospitality
Pvt. Ltd.**President****KABIR SURI**Co-Founder & Director
Azure Hospitality Pvt. Ltd.**Vice President****PRATIK POTA**CEO
Jubilant FoodWorks Ltd.**Hony. Secretary****NITIN SALUJA**Founder Chaayos
Sunshine Teahouse
Pvt. Ltd.**Hony. Jt. Secretary****MANPREET SINGH**Director
K S Hotels Pvt. Ltd.**Hony. Treasurer****PRAKUL KUMAR****Secretary General**



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Having said that, despite our honest intents, we and **our businesses don't have the resources to pay them salaries** even for the month of April. Paying them indefinitely is out of question. Hence we request the intervention and support of the Government in this matter. We recommend the following immediate measures to address this issue:

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1. **Unemployment Pay cover** for every employee, or at least those covered under the ESIC Act, with immediate effect and till such time that the lockdown is in place. This could be done via DBT, initially utilising the healthy coffers of ESIC.
2. We reckon that our business will take anywhere between six to twelve months to gain any respectable traction in the post-Covid era. We therefore request you to **extend the support to the extent of 50% salary** for these employees for the entire financial year ending March-2021.
3. Government can also extend the help to marginal employees by **supplying them extra quantities of grains, pulses, oils and other essentials** etc using the PDS network. This can be free or on further subsidised rates till the lockdown period.
4. **Extend the benefit of PF contribution scheme** announced by the Hon'ble Finance Minister, wherein the state bears the PF contribution of both employees and the employers, to companies **employing up to one thousand people**. The **cut-off salary** of 15,000 should be **enhanced to the actual levels of minimum wages payable to skilled people in every state**. These people should form at least 50% of the total workforce employed by the Company as against 90% currently.
5. The above measures will largely address the immediate issues of the marginal employees. For the rest of the workforce, we request the government to **extend the PF withdrawal up limit up to six month's salary** (as against three months now) of any employee with **the maximum cap being extended to INR 3,00,00** from the current INR 75,000/-. This is their own money and can be allowed to be utilised under such extreme circumstances that we are currently going through.
6. An option to **extend the moratorium on EMIs for all personal products such as Home Loans, Vehicle Loans, Personal Loans etc by three more months**, without any additional interest, will also go a long way in addressing the cash flow issues of these employees.



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B. OPERATING ISSUES

While we reckon that life in the post-Covid era for our business will be very new and extremely tough, we still hope for an eventual recovery. The current closure on account of lockdown and anticipated slow pick up post that may render several companies bankrupt and force them to shut shop. However, here are a few recommendations that can help us remain afloat for some time, in an earnest hope of an improved business environment.

Here is what we propose:

1. **Complete waiver of all renewal fees for licenses, registrations and permits** to operate Banquets, Restaurants, QSRs, Pubs & Bars, whether issued by Union Govt, State Govt or the Local Municipal Authorities for at least six months. We anyways don't have the money to do this now. Waiver of fee may allow us some time to try and continue our efforts for a little longer period.
2. **Easy availability of working capital**, without major collaterals and at low interest rates is also an absolute necessity step required to enable us to remain afloat. We have exhausted all our resources during the lockdown and we will require fresh money not only to kickstart the business but also to sustain it for a few months post that.
3. **Deferment of all Statutory dues by at least six months** so that the limited working capital is deployed towards more human use, salaries and basic costs of running the business being two of them.
4. We need **concessions on utilities payments** and propose the following:
 - a) Waive off the minimum billing for electricity etc for the entire period of shutdown and three months post that.
 - b) Reduction of 25% in the rates per unit of electricity charged to us.
 - c) Deferment of payments by three months.
5. The crisis created by Corona is perhaps the biggest crisis ever faced by the mankind. It is truly a pandemic. World has never seen something as extraordinary and grave a problem as this. We therefore reckon that **this truly qualifies as a case of Force Majeure**, wherein an unforeseeable circumstance has prevented us from fulfilling our existing contracts. We therefore **request the Government of India to issue general directive confirming this** so that valuable time and money is not lost on avoidable litigations upon resumption.

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6. **Early and Immediate settlement of insurance claims** for loss of business arising out of this crisis will go a long way in sustaining the business with available cash flows.
7. Lastly, we seek a complete **Direct tax holiday for a year** to cope up with the losses incurred by us during the time India was shut down to counter the menace of Novel Coronavirus.

C. POLICY DIRECTIVES

We are perhaps looking at a long closure and even long cycle of slow business in the post-Covid era. While the above two bullet points will hopefully address the immediate issue of survival, we require a few policy amendments to sustain in the long run and also hopefully grow in the future. They are as under:

1. **Restoration of Input tax credit (ITC) on GST** is a very long-standing demand of ours. In the new post-Covid era, it has become even more critical now. In order to de-risk our business, we need to bring down our fixed operating expenses; and denial of ITC is a big addition to the already-heavy fixed operating expenses of ours. GST has become an added expense on purchase of any product or service today, whether it is rentals, security, raw materials, electricity or trade commissions. In an industry already plagued with high proportion of fixed operating expenses, this 8% to 10% increase is a crippling blow! If it cannot be done away entirely, at least give us an option to choose between a) rate of 5% with no ITC or b) 12% bracket with ITC.
2. In the new world, lots of traditional businesses and business methods will change. E-commerce will continue to grow and is here to stay. **In order to ensure that its benefits extend to all, we request for a fair policy on e-commerce** which prevents these PE funded aggregators from misusing their dominant position in the market and hurt the smaller businesses. E-commerce has to be an enabler and multiplier of traditional businesses, truly a marketplace where all can trade freely and without restriction imposed by these marketplace operators. We need a fair playing field for everyone. Policy on issues like platform-driven discounts, commission rates, data-sharing and private labels should be spelt out clearly and fairly otherwise we will see many domestic Indian traditional businesses collapsing under the weight of these dollar-funded aggregators.

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Fact is that in e-commerce ecosystem today, these **aggregators are losing money and so are we. Govt is losing money too** because of lower tax mop-up owing to year-round discounts programs propelled by the aggregators in blind pursuit of larger market share and more transactions, two big factors to ensure bigger valuation. It may kindly be noted that while every stakeholder in e-commerce, aggregators, restaurants and Govt lose cash with every transaction, the **only thing that grows is the valuation of these aggregators!** Aggregators therefore don't bother much about their losses because **their cash burn get funded by their investors** at higher valuations whereas the **losses incurred by Restaurants and the Government is in perpetuity** and irreversible. We truly believe that **Greed of a few companies cannot be allowed to destroy and entire sector employing more than seven million Indians!** We therefore need a fair and strict e-commerce policy immediately.

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3. Restaurant Sector in India has the unique distinction of being a part of Invest in India, Make in India as well as Serve in India. It **fulfils the twin objectives of investment and employment**, set up in the Cabinet Committee chaired by the PM. We request **extending the scope of PMKSY scheme to the service sector as well**. This will provide the value addition in the form of Farm-to-Fork.

Just like Mega Food park projects have been implemented by SPVs with funds directly released to the projects, **Mega Restaurant hubs can be created with shared infrastructure** thereby **creating revenue and employment opportunities** across the nation. As shown in transit countries like Singapore & Dubai, **Restaurants form an integral part in enhancing tourism**, retail & trade. These hubs can be spread in cities, towns, heritage corridors as well as highways. It will bring the best of brands, domestic and international under one cluster benefiting all stakeholders.

4. **India can no longer afford to suppress domestic capital**, and must shed the foreign investment mindset. This crisis as taught us many lessons. As a nation, we need to stand together. At this crucial juncture, the aspersions cast upon Indians at the hands of officials and tax policies is a disservice to the citizens and young entrepreneur. We need to **encourage domestic investment into MSME & Start-ups. Domestic investors should be given exit preference in the form of capital gain taxation to spur risk capital.**



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Sir, I am certain that you will accord this communication the seriousness that it deserves. It is a matter of our survival; and we surely cannot survive without your active and immediate support.

I hope to hear from you soon.

Kind regards,

Yours sincerely,

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President

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