

COSMETICS MANUFACTURERS UNABLE TO MEET EXPORT ORDERS AMIDST LOCKDOWN

Micro, small and medium enterprises (MSMEs) in the cosmetics manufacturing sector are facing the risk of cancellation of export orders as they are unable to ship their goods amidst the nation-wide lockdown.

In an interview to MVIRDC World Trade Center Mumbai, Ms. Kajal Anand, Managing Director of Mumbai-based Debon Herbals Pvt Ltd. shares the hardships of her industry in this challenging time. Debon Herbals Pvt Ltd. is a leading manufacturer and exporter of herbal skin care and hair care products developed by an inhouse team of botanists, ayurvedic/herbal experts, microbiologists and chemists. The company has won several industry awards and accolades recognizing its excellence in brand building, exports and entrepreneurship.

Following is the excerpt of the interview:

Q1. Cosmetics are lifestyle products, which may not be in the list of essential goods allowed to be sold in the current circumstances. Can you share with us the hardships faced by manufacturers in your sector and the extent of business losses suffered by them?

Cosmetic manufacturers are facing severe financial hardships as they have to bear overhead cost such as salaries, rents, interests on bank credit and other loans, electricity bills, GST & TDS payments, etc without any revenue. Cosmetics manufacturers operate on wafer thin margins as they have to compete with imports. Many manufacturers are yet to come to terms with the aftermath of demonetization and are on the verge of being declared bankrupt. Banks are not willing to extend credit as they are wary of taking risk.

As a result of the nation-wide lockdown, we are unable to fulfill export orders on time and hence we face the risk of orders being cancelled by our overseas customers. In some cases, we may have to pay penalties if we don't fulfill orders under our agreement with foreign customers.

Even after we come out of the lockdown, it would be difficult to source raw materials on time to produce end products and make timely delivery. We also run the risk of losing credit facility with our vendors.

After the lock down, multinational companies holding huge stocks will flood the market with their products by offering them at almost half the rate. This effect may carry on atleast for a year and will result in many local manufacturers winding up their business, under pressure from unviable overhead cost.

The shutdown of operation in cosmetics manufacturing plants is also affecting the salon industry, which is dependent on sale of cosmetics products for extra revenue apart from its salon service.

Q2. What are the measures you expect the central government, state governments and RBI to take to provide relief to cosmetics manufacturers?

Government needs to defer tax and non-tax dues by upto six months and in some instances waive certain dues. Reserve Bank of India (RBI) should issue guidelines to banks not to declare loans of MSMEs as NPAs for upto a year. Banks should be asked to extend loan equal to 40% of the GST amount paid in the last financial year at a subsidized interest rate. Banks should enhance cash credit limits atleast upto 40% more without collaterals and at an interest rate of 6% per annum as the whole supply chain will work only on advance payments.

Government should use the donations it has received from large and small companies to provide relief measures to MSMEs.

Many small and large companies are offering innovative products and solutions to combat COVID-19, according to their capability, by serving food for the poor and needy, donating PPE kits, masks and other essential items. These companies are serving the nation in this challenging time without worrying about how their business would survive post Covid19. Therefore, the government should come forward to support industry through this crisis.

Q3. Assuming that it takes another two months for India to come out of the lockdown, when do you expect demand for your products to revive?

As mentioned above, it may take at least nine months to one year to revive - it's like restarting the unit.

Q4. What are the challenges being faced by your company in shipment of goods abroad?

Export cargo is held up on roads as drivers have left trucks owing to fear and non availability of food and proper stay. Therefore, we are facing the risk of cancellation of orders or diversion of orders to our foreign competitors. We are also facing difficulty in sourcing raw materials from abroad. Under this circumstance, manufacturers may also loose existing credit facility offered by banks.

In spite of all these difficulties, the cosmetics industry in India has a bright future as some cosmetics manufacturers in China may consider relocating their facility to India after the crisis.

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