

VOICE OF FICCI

SHAPING THE AGENDA

March 2019



From the Secretary General

Even as we draw close to the financial year end our spirits run high. In this month, we held a number of events and in this issue we share with you some of the policy decisions, outcomes and opinions at the forefront of these events.

Suresh Prabhu, Minister of Commerce & Industry and Civil Aviation, spotlighted the significance of CSR and stated that corporates and society cannot survive without the other and we continue our work in this arena.

The inspiring vision of SAGAR, an acronym given by Prime Minister Narendra Modi which means ocean and stands for Security and Growth for All in the Region, is linked to India's Act East Policy by seeking to join India. We are committed to join hands with the ASEAN partners to realise the shared dream.

Another major highlight was the notification of the HS Codes for 207 technical textiles items that would help in effective targeting of policy measures for the industry.

We concur with Shashi Tharoor, Member of Parliament & Chairman of the Parliamentary Standing Committee on External Affairs, when he says art and culture need government support by way of finances, tax breaks and safety nets for practitioners.

The Monetary Policy Announcement by the RBI, we feel, is a welcome beginning and note that RBI's MPC has decided to change the stance of Monetary Policy from calibrated tightening to neutral.

MSMEs are at the forefront of manufacturing, export and job creation said Giriraj Singh, Minister of State (I/C) for MSME. We look forward to working closely with associations engaged in development of SC/ST communities, including promotion of entrepreneurship amongst them.

This and more in this issue of 'Voice of FICCI'.

Dilip Chenoy



FICCI-IBA BANKERS' SURVEY JULY – DECEMBER 2018

For the eighth round of the FICCI-IBA survey for the period July to December 2018, 23 banks, including public sector, private sector, foreign and small finance banks, participated in the survey. These banks together represent over 65 per cent of the banking industry, as classified by asset size.

A majority of respondent banks mentioned that the liquidity scenario in quarter 3 of current fiscal year has remained in deficit and though it has slightly improved of-late, but liquidity could remain tight even in quarter 4, owing to year-end liquidity demands, tax outflows, higher fiscal deficit and run-up to elections. Respondent banks agreed that the RBI has taken adequate measures, by way of Open Market Operations (OMO) to maintain liquidity and suggested that the RBI should continue OMO purchases for remaining period of the fiscal year as well. Participating bankers also suggested cutting of CRR by the RBI to bring more liquidity in the market to support growth. Other suggestions included greater capital infusion by government in PSBs, relaxation of PCA norms and allowing a special liquidity window for NBFCs.

Another key finding of the survey has been the changing trend in NPAs. In contrast to last few rounds of surveys, majority (54 per cent) of reporting public sector banks have cited a reduction in NPA levels, with only 38 per cent citing an increase. Furthermore, in the current round of survey, none of the respondent banks have cited an increase in the requests for restructuring of advances. While 39 per cent have stated a fall in number of such requests, 61 per cent have reported no change in the number of such requests.

While infrastructure continues to remain the key sector with high NPAs, with over 90 per cent of respondents citing so, however 37 per cent of such respondents have reported a reduction in NPAs of the sector during the period July to December 2018 and 42 per cent of these respondents have reported an increase in NPAs as against 79 per cent citing an increase in the preceding round of survey.

17 February 2019

'Voice of FICCI' is a service to all our members and shared with key policy makers and thought leaders. The document is a compilation of FICCI's views on macro-economic issues. These issues come to us directly from members, or through deliberations in conferences and seminars on sectoral issues, as also through Government notifications.



FICCI CONNECTS INDIAN AND JAPANESE BUSINESSMEN DURING 43RD JOINT INDIA-JAPAN COMMITTEE MEETING

FICCI jointly with Japan Chamber of Commerce and Industry (JCCI) organised the 43rd Joint Meeting of India-Japan Business Cooperation Committee (IJBCC) in Tokyo, Japan on 26 February 2019. The Joint Meeting has been a significant institutional platform that has complemented the efforts of the government of both countries and helped in highlighting new opportunities and resolving issues faced by industry. *FICCI congratulates JCCI for the first JBC meeting in their new facility in Tokyo.*

27 February 2019



APPROPRIATE AND COST-EFFECTIVE TECHNOLOGY VITAL TO CURB STUBBLE BURNING

FICCI says that stubble burning will stop when the farming community adopts the solution as a choice. In this context, what is required is sensitisation of the community and widespread capacity building. Farm-waste management, requires partnership between corporates and MSMEs as large corporates cannot effectively manage farm waste generated by 135 million farm households. The need is for decentralised management of farm waste as well as decentralised energy generation, under the 'Green Entrepreneurs' framework. What also needs looking into is supply side constraint of equipment and machinery and how manufacturing within India could also be enhanced once the solutions become viable. FICCI calls for government incentives to make heavy-duty machines such as fork lifters to clear the stubble.

26 February 2019



FICCI WELCOMES GST COUNCIL'S DECISION TO CUT REAL ESTATE GST RATES

FICCI welcomes further reduction in GST rates – this is a big boost for the Indian real-estate sector that will help propel the demand in housing. FICCI while applauding the move said that, 'The government has very timely assessed the need of the hour. The customers needed this relief. It will help unlock value from under construction projects, which is critical to restore confidence in the developers as much as the customers.'

The extension of definition to housing prices within INR 45 lakhs will lift sales in this segment now falling in the affordable category across cities and help customers as well as developers not to mention encourage lenders allocate or make available more capital for this segment. The input tax credit is critical for the developers and many would get hit. The government should reconsider this aspect, also the affordable segment will gain much needed focus with this policy.

FICCI also expressed the need for a similar decision on reducing the GST on cement from 28 per cent to single digits as it directly impacts the affordability of houses.

GST council's decision on reducing the tax rate on under-construction homes to 5 per cent and significantly slashing the rate on affordable homes to 1 per cent from 8 per cent is a win-win situation for both developers and home buyers.

24 February 2019



FIVE-POINT ACTION PLAN TO ENABLE SMART CITIES TO KEEP PACE WITH THE CYBERSECURITY NEEDS

A FICCI-KPMG Smart City Knowledge Report on 'Cybersecurity in Smart Cities', has suggested a five-point action plan to enable smart cities to keep pace with the cybersecurity needs and build a cyber-resilient and trusted environment across the entire value chain.

The key measures suggested by the report are: Establishing a formal cybersecurity framework; Security must be built-in from the ground up; Security should be deployed in integrated form across value chain; Establish cyber resilient and trusted environment; Engage across industry, knowledge bodies and regulatory groups to standardise security measures.

FICCI says that India is at the brink of next stage of transformation and urban transformation is growing at a faster pace. The need is to adopt strategies to merge infrastructure with the cultural values of the cities under the smart city development.

22 February 2019



INDIA-AFRICA EXPAND COOPERATION IN SCIENCE AND TECHNOLOGY

India took another big step to expand its science and technology cooperation with Africa with the announcement of the India-Ethiopia Innovation, Science and Technology Commercialization Programme. *FICCI says that cutting across all disciplines, research has become increasingly important today, given that innovation and R&D are key drivers of economic growth worldwide.*

22 February 2019



CSR MUTUALLY BENEFICIAL RELATIONSHIP BETWEEN CORPORATES AND SOCIETY: SURESH PRABHU

FICCI invokes the Gandhian philosophy of moral responsibility to bring about change. Suresh Prabhu, Minister of Commerce & Industry and Civil Aviation, Government of India, spotlighted the significance of CSR, stating that corporates and society were not mutually exclusive, one cannot survive without the other. Therefore, CSR should not be seen as mere responsibility but a mutually beneficial relationship for both.

21 February 2019



INDIA AND ASEAN TRADE MINISTERS PIN HOPES ON CONCLUSION OF RCEP AGREEMENT

FICCI invokes the inspiring vision of SAGAR, an acronym given by Prime Minister Narendra Modi, which in Hindi means ocean and stands for Security and Growth for All in the Region. This vision is linked to India's Act East Policy by seeking to join India, especially to her East and Northeast, with the land and maritime partners to the east. *FICCI is committed to joining hands with the ASEAN partners to realise the shared dream of peace, prosperity and economic progress for the nations and its people. ASEAN member nations and India will collectively work in a determined manner to ensure*

early conclusion of a Regional Comprehensive Economic Partnership (RCEP) agreement.

21 February 2019



GOVERNMENT LIKELY TO BRING MANDATORY STANDARDS FOR TECHNICAL TEXTILES ITEMS

FICCI says that the notification of the HS Codes for 207 technical textiles items is a major step that would help in effective targeting of policy measures for the industry. The government should look at additional items of technical textiles for notification of HS Codes. Many new products for which demand is growing both globally and domestically like wet wipes, home wipes, face masks, abdominal bandages and gauges deserve separate HS Codes which would help the industry to scale up and grow.

21 February 2019



INDIA IS PARTNER FOR THE FUTURE: ARGENTINIAN PRESIDENT

The President of Argentina, Mauricio Macri said that Argentina was looking at India as a 'partner for the future' and seeking to strengthen trade ties with India based on the principle of complementarity.

FICCI says that there is no shortage of opportunities for India and Argentina to work together. The political and economic landscape of the two countries has witnessed wide-ranging changes. The core focus of both the countries is inclusive growth, sustainable development and thriving business entrepreneurship. Many leading Indian companies like Sterling Wilson, Bajaj, Cognizant Technologies, TAFE, Tata Consultancy Services and United Phosphorus Ltd. are actively participating in development process of Argentina.

19 February 2019



DGFT ARMED WITH FRESH RESOURCES TO REVAMP IT INFRASTRUCTURE TO BOOST LOGISTICS SECTOR

The government has allocated Rs132 crore to the Directorate General of Foreign Trade (DGFT) to revamp IT infrastructure for upgradation of logistics in a bid to provide paperless, faceless and transparent solutions to the problems faced by industry and trade in the movement of goods and services across the country.

FICCI says that the advent of GST has made it easier for inland trade movement as most businesses were experiencing easier and quicker movement of goods. While welcoming the draft national logistics policy, the chamber upon the industry to examine the glitches in the policy framework with the aim of making the country the most efficient logistics provider in the world.

19 February 2019



MARINE LITTER, SDG MONITORING, FORESTRY AND ADAPTATION KEY AREAS FOR INDO-GERMAN COLLABORATION

Marine litter, SDG monitoring and climate change with a focus on Forestry and Adaptation are some of the key priority areas for strengthening Indo-German collaboration to address global

and local environmental challenges, stated Dr Harsh Vardhan, Union Minister of Environment, Forest and Climate Change (MoEF&CC).

FICCI says it has been working intensively with business and industry on various waste management practices including solid waste, e-waste, construction and demolition waste and water. He has also highlighted FICCI's effort through its Water Mission to bring forth best practices in industrial water use, urban wastewater, water use efficiency in agriculture, and corporate water stewardship. German companies could engage in FICCI's annual India Industry Water Conclave to showcase German expertise and technology in this sphere. At the policy level as well, there is a strong momentum nationally on integrating environmental concerns into policy making. He further points out the importance of German technologies in this front highlighting the need for resource efficient technologies for future.

13 February 2019



NEED TO BRING THE REAL ESTATE SECTOR UNDER GST SOON

Manish Kumar Sinha, Joint Secretary (TRU-II), Department of Revenue, Ministry of Finance and Secretary GOM Real Estate under GST regime, Government of India, suggests that the construction and real estate industry should push to bring the entire sector under GST as early as possible, which will solve major problems of the sector.

FICCI says that the demand in the office sector is growing strongly, but on the other hand, the demand for residential space has not seen that kind of growth and is currently where it was few years back. In order to bring back the demand, Sinha suggested that the developers should construct, design and build houses keeping in mind the end-user.

13 February 2019



ART & CULTURE NEED GOVERNMENT SUPPORT

Shashi Tharoor, Member of Parliament & Chairman of the Parliamentary Standing Committee on External Affairs, says that the Jaipur Literature Festival and Kochi-Muziris Biennale art exhibition and festival are shining examples of how soft power can propel cities into the global cultural map, promote people-to-people contact, give a fillip to allied industries such as tourism and build smart infrastructure.

FICCI states that no city or society can survive without being deeply embedded with art and culture. To date, there is only lip service for the promotion of art and crafts. There is no data available of the contribution of art and culture to GDP and that explains the absence of any tangible action.

As India transits from a manufacturing to a service-based economy; its future will rest on thinking out of the box. Crafts, technology and design would have to coalesce to create the jobs that this country so urgently needs to generate.

13 February 2019



OPTICS, AUTOMOTIVE AND MECHANICAL ENGINEERING ARE SECTORS FOR INDIAN COMPANIES TO INVEST IN THURINGIA

Wolfgang Tiefensee, Minister of Economic Affairs, Science and

Digital Society of the German State of Thuringia, urged Indian industry to position Thuringia on its business and investment radar and reap the advantages that the state has to offer.

FICCI states that India's commitment to raising its share of renewables in the energy mix from 21 per cent now to 40 per cent by 2030. Thuringia was known the world over for its medical technologies, expertise in mechanical engineering and the automotive sector and was fast emerging hub for climate change mitigation technologies. India, today can ill-afford to ignore German advances in technology, just as Germany can benefit from India's large market.

11 February 2019



HIRING AND PRODUCTION OUTLOOK IMPROVES IN MANUFACTURING: FICCI SURVEY

FICCI's latest Quarterly Survey on Manufacturing presents a better outlook for hiring and production in manufacturing. The survey portrays a better outlook for the manufacturing sector in Q-3 (October-December 2018-19) as the percentage of respondents reporting higher production in third quarter were much higher than those reporting higher production in Q-3 of 2017-18. The proportion of respondents reporting higher output growth during the October-December 2018 quarter was 54 per cent as compared to 47 per cent in Q-3 of 2017-18. The percentage of respondents reporting low production was only 13.5 per cent in Q-3 2018-19 as compared to 15 per cent in Q-3 of 2017-18.

Similarly, on hiring front the outlook for the sector seems to have slightly improved for near future. While in Q-3 of 2017-18, 70 per cent respondents mentioned that they were not likely to hire additional workforce, this percentage has come down to 65 per cent for Q-3 of 2018-19. Going forward it is expected that hiring scenario will improve further, noted the Survey.

10 February 2019



RBI'S CHANGE IN MONETARY POLICY STANCE IS A WELCOME BEGINNING: FICCI

Commenting on the Monetary Policy Announcement by the RBI, FICCI says that it is a welcome beginning and the organisation is happy to note that the RBI's MPC has decided to change the stance of monetary policy from calibrated tightening to neutral. There is also a firm recognition of the need to strengthen private investment activity and buttress private consumption. While FICCI had hoped for a larger cut in the repo rate, we believe that the cut of 25 basis points will be followed up with more such measures in the subsequent months.

The Interim Union Budget presented contained a series of measures that would aid growth. The need of the hour is for monetary policy to complement the fiscal policy and strengthen the growth impulses that are slowly building in the economy.

7 February 2019



SELECT CPSEs FELICITATED FOR EXEMPLARY WORK FOR PROMOTION OF SC/ST ENTREPRENEURS

The Minister of State (I/C) for MSMEs, Giriraj Singh, felicitated select Central Public Sector Enterprises (CPSEs) for their exemplary work under the Public Procurement Policy for

promotion of SC/ST entrepreneurs. As many as 14 CPSEs for the Maharatna, Navratna, Miniratna and general categories were awarded based on the parameters available on the Public Procurement Portal, MSME Sambandh.

FICCI is looking forward to working closely with associations engaged in development of SC/ST communities, including promotion of entrepreneurship amongst them.

FICCI states that it will remain committed to supporting the government to meet its objective to strengthen the marginalised community. The private-sector procurement from SC/ST entrepreneurs has begun and FICCI has started an outreach programme.

5 February 2019



INDIA AND MONACO NEED TO COLLABORATE IN DEVELOPING HI-END TECHNOLOGIES TO ADDRESS ENVIRONMENTAL ISSUES

Suresh Prabhu, Minister of Commerce & Industry and Civil Aviation, Government of India, stressed on the need for India and Monaco to deepen their cooperation to develop and eventually adopt hi-end technologies to address the growing environmental concerns.

FICCI shared its roadmap to further deepen trade and economic relations between the two nations by building a bridge based on deepening cooperation in the fields of sport and environment seems quite natural and benefits the cause of climate change. FICCI states that India can play a valuable role in fostering the rich potential of Monaco's tourism industry, Small and Medium Enterprises (SMEs) is an important area for both India and Monaco, especially in the field of consumer chemicals and petrochemicals as well as in the production of plastics and electronics. Collaborative work with the Indian counterparts can certainly be looked at.

4 February 2019



NEED TO SHIFT TO 10-DIGIT HS CODE NOMENCLATURE

FICCI participated in a meeting with Directorate General of Foreign Trade (DGFT) to discuss issues relating to adoption of 10-digit HS Code nomenclature held under the chairmanship of CS. While DGFT highlighted the need to shift to 10-digit nomenclature considering there is a growing demand for classification for the products classified as 'others' under the 8-digit harmonised system. However, JS (Customs) felt that shifting to 10-digit nomenclature may not be required at this stage as the basic problem of shifting to 10-digit nomenclature is lack of detailed mapping of items that need to be categorised under the 10-digit nomenclature and that there is enough space in the 8-digit nomenclature to create new codes including those of 'others'.

It was agreed in principle to move to 10-digit level. Revenue Department will explore the possibility to create new 8-digit codes to meet current requirement and thereafter create a subcommittee to explore shifting to 10 digits.

15 February 2019

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