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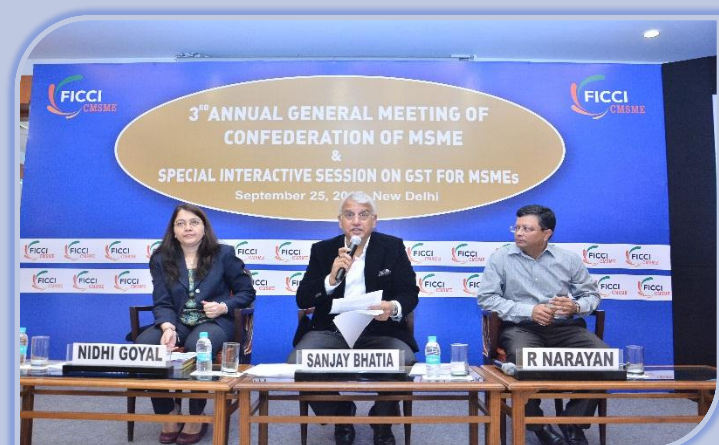

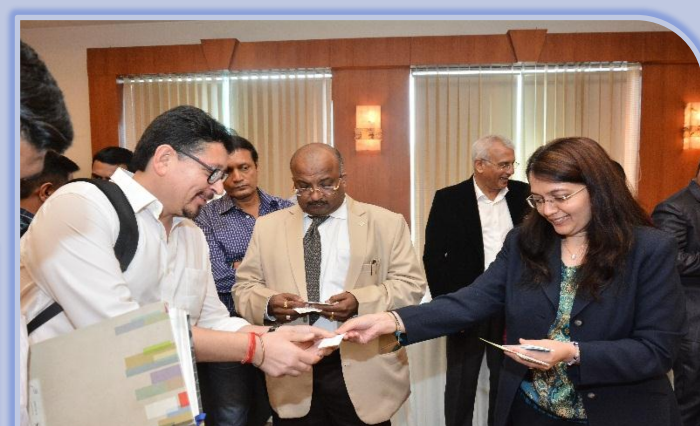

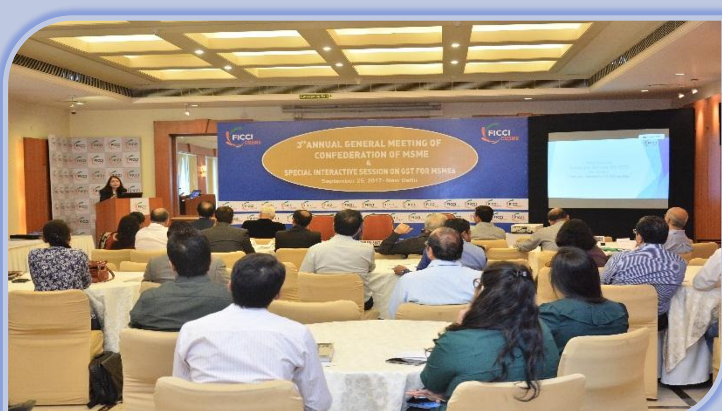

NEWSLETTER

IN THIS ISSUE………

MSME News Update

1. 'Term FY' 18 challenging for Indian Banks, NPAs to rise'

Terming FY18 as a "challenging" year for Indian banking, domestic rating agency Icra today said newer segments like MSMEs and farmers are also reporting stress, and NPAs for listed banks will shoot up to 10.2 per cent by FY18-end. It said the April-June period saw fresh slippages shooting up to a five-quarter high of Rs 1.15 lakh crore and estimated that the system will end FY18 with slippages of Rs 3 lakh crore.

On an annualised basis, the 6.3 per cent for Q1FY18 is higher than 6.2 per cent (annualised) for the preceding March quarter and the 5.5 per cent tracked in FY17, it said. Apart from large corporates, trouble is also being reported from the micro, small and medium enterprises segment and the farm loans, which together contributed for half of the incremental NPAs, its group head Karthik Srinivasan told reporters over a conference call. He said the MSMEs are facing trouble because of the transient impact of Goods and Services Tax implementation, while it is the weakening of the credit culture in the aftermath of waivers that is affecting the farm loans.

The gross NPAs for the 41 listed banks are likely to increase to Rs 8.8-9.0 trillion (9.9-10.2 per cent) by March 31, 2018 from the 9.5 per cent at the end of FY17. Because of the rising NPAs, the amount of provisions to be set aside as cover will also increase. Banks are also writing-off loans at a faster clip (Rs 30,600 crore in Q1FY18 versus Rs 22,100 crore) in order to compress the GNPA figures, and recoveries and upgrades continue to be weak, it said.

(The Times of India, September 2nd,2017)

2. Vijayawada's crop research centre to be ready by year- end

The regional centre of the Central Plantation Crops Research Institute, which will be of great benefit to the growers of coconut and other plantation crops, is coming up near Samalkot. It will be ready by November-December, Minister for Agriculture Somireddi Chandramohan Reddy said.

The Minister, who was chief guest at the 'Coconut Day' celebration organised by the Coconut Development Board, said the Andhra Pradesh government allotted 60 acres for the centre.

He said the State government was of the impression that farmers would get better returns from horticulture crops like coconut than from agriculture. From 23 lakh acres in 1992, the area under horticulture crops increased to 39.5 lakh acres in the previous financial year (2016-17), he said. The increase was mainly because of the subsidies and support given to farmers by the government. This year to the government earmarked Rs. 1,427 crore for spending on developing horticulture, he said.

India was in the third place when it comes to coconut production and Andhra Pradesh was in the fourth place in the country. East Godavari contributed 50% of the State's coconut production, he said.

(The Hindu, September, 3rd, 2017)

3. KVIC creates over 3,000 jobs for women under PMEGP in past 2 years

KVIC, the nodal agency for implementing the Prime Minister's Employment Generation Programme (PMEGP), has said it has created over 3,000 additional sustainable jobs for women in the past two years.

It said these jobs were created by providing charkhas to women. They were in addition to 4.69 lakh jobs under the PMEGP in backward and unattended areas across the country.

Khadi and Village Industries Commission (KVIC) said in a release that sustainable employment has been created in Jayapur, Sewapuri and Kankariya villages of PM's constituency in Varanasi.

It said 25 new model charkha (spinning wheels) and five looms were given to Krishak Vikas Gramodyog Sansthan in Jayapur to make rural populations self-reliant.

KVIC has also established two training centres at Jayapur and Kakrahiya and provided 25 solar charkhas and five solar looms each in these villages to impart training. It said that 50 local women were given training to use these charkhas.

"Each of these trained women has also been provide a loan of Rs 80,000, under PMEGP in which 35 per cent subsidy has been provided by the KVIC to start their own venture of spinning. Working from their homes, these women are sure to earn at least Rs 200 per day," KVIC said.

A unit of "Lijjat papad" has also been established in the Sewapuri campus, in which as many as 176 local women have got direct employment and 10 indirect employment, it said.

In April, the KVIC had kicked off a new training-cum- production centre at Silimkhowa in the Kaziranga National Park area. The commission gave 25 charkhas, five looms and other accessories to the village artisans. This unit has provided direct job opportunities to nearly 50 rural families of this area.
The Khadi Commission also said that it has revived its defunct Multi-Disciplinary Training Centre in Pampore in Jammu and Kashmir and provided 25 charkhas to make the women in the valley self-reliant.
Similarly, in a bid to generate employment, KVIC had given 45 charkhas to tribal women at Omkareshwar in Narmada Valley to start Khadi activities in Madhya Pradesh.
(The Times of India, September 4th,2017)

4. ***Cabinet reshuffle puts focus on jobs creation***

With job creation lagging targets, Prime Minister Narendra Modi brought in new ministers for three key ministries—labour and employment, skill development and entrepreneurship, and the ministry of micro, small and medium enterprises (MSME). Through this, the Prime Minister has put the spotlight on employment generation again, an agenda that made him popular among a huge young and aspirational demography in the run-up to the 2014 general elections.
Missing jobs continue to haunt the government three years after it assumed office. India faces the challenge of creating jobs for a predominantly young population.
While the change in ministers is seen as an indictment of those who led the ministries, the question is whether the new set of ministers—Dharmendra Pradhan as skills minister with Anant Kumar Hegde as his junior minister, Santosh Gangwar as labour minister and Giriraj Singh as minister of state (independent charge) of MSME—can deliver better outcomes for employment generation.
Pradhan is considered a good performer and his elevation to cabinet rank was an indication of that. He will now manage both petroleum and skills ministries.
Pradhan and Hegde will have three key tasks at hand: accelerate the pace of skill development to achieve targets; bring jobs to the trainees; and put the whole skill ecosystem in order.
(Live Mint e-paper, September 4th,2017)

5. ***SEBI likely to tighten listing norms***

Capital market regulator SEBI is likely to propose the tightening of listing criteria on the stock exchanges.
The proposal may apply to the main board of stock exchanges as well as the small and medium enterprises (SME) segment, sources close to the development told BusinessLine. The move follows the recent action by the SEBI to suspend trading in 331 entities on the ground that they were shell companies.
Listing criteria is the minimum threshold that companies should follow in terms of financial record and trading volumes to be listed on the bourses. SEBI intends to now raise the threshold to prevent shell companies from getting listed.
"The thinking within SEBI is to ensure a tighter regime against shell companies that gain entry to stock markets and become a vehicle for money laundering and tax evasion," the sources said.
The Centre has asked all financial market regulators and investigative agencies to keep a hawk eye on shell companies as it is believed that huge amounts of black money were converted using a web of such companies during the demonetisation drive. The regulators now fear that loose listing criteria on stock exchanges have helped shell companies thrive.
SEBI had drawn flak for the overnight suspension of trading in 331 suspected shell companies as it hurt shareholders whereas promoters were the real culprits for malpractices.
Both the BSE and the NSE have minimum net worth and capital requirement for companies to list. It includes a post-issue paid-up capital of Rs. 10 crore on the main board and Rs. 3 crore in the SME segment. Other requirements include a minimum market capitalisation of Rs. 25 crore on the main board and a profit track record for more than three years. SEBI is likely to raise the bar for all these criteria, the sources said.
Another key change that SEBI intends to propose relates to minimum trading volumes and the number of days in a year for companies listed on the exchanges to avoid suspension. SEBI will also prescribe that promoters offer a buyback option to shareholders if their companies stay suspended for a minimum number of days in a year, the sources said.
(The Hindu, 6th September,2017)

6. Exempt GST on inputs: SME exporters

Facing working capital crunch, exporters in Punjab, especially in the SME category, have sought exemption on payment of GST on inputs. They apprehend that the current mechanism of first paying taxes and then applying for refund is a time-consuming process leading to capital shortage.

Prior to the implementation of GST, exporters were exempted from paying duties. “Being exporters, we were earlier exempted from paying duties on inputs. We used to procure inputs against form ‘H’. Now with GST in place, we have to first pay the tax and then seek refund. There are teething problems in the system. So the refund for July is likely to be reimbursed in September,” said SP Sharma, proprietor, Anuj Industries.

Since the capital is blocked, this process also leads to increased manufacturing cost as exporters have to pay duties on inputs, he added.

“The present mechanism has hit small exporters in particular who work on very less margin and resources,” said another exporter from Jalandhar.

They also claimed that the drawback duties of many exporters were being blocked because of teething issues in the system. This is proving as a stumbling block in getting fresh orders. “The working capital of many exporters has been blocked as they are yet to get refund and as a result they are unable to get fresh orders. We have no idea when the government will release the refund.”

Ashwani Kohli, senior vice-president, Punjab Chamber of Small Exporters, said, “Since GST has been implemented only recently, there are teething problems. We hope everything will be sorted out soon and the exporters will get refund in lieu of duties paid. According to GST norms, 90% refund will be given to exporters within seven days of filing the return.”

(The Tribune, September 8th,2017)

7. Manufacturing firms may cut 40% staff in 2017

Major manufacturing firms axed about 30 per cent of their staff in 2016 and retrenchment levels are expected to reach 40 per cent in 2017, said a survey.

Entry-level jobs face the most risk as companies continue to drastically cut costs and try to claw their way out of the current sinkhole of low growth, according to TeamLease Services, the largest human resource services company in the country. The survey was an internal assessment of more than 2,500 of the Fortune 500 company’s corporate clients.

The latest government data had shown economic growth hitting a three-year low in the first quarter of 201718. At 5.7 per cent, the growth was the lowest since the Narendra Modi government took charge. Demonetisation and massive de-stocking before the launch of the goods and services tax (GST) took a toll on the manufacturing sector, which grew just 1.2 per cent in the first quarter of 2017-18 against 5.3 per cent in the fourth quarter of 201617 and over 10 per cent a year ago.

Till 2015, the manufacturing sector had seen the highest share of new hiring at 75-80 per cent, which came down to 50-60 per cent in 2016, Munira Loliwala, the business head of the engineering, manufacturing and pharmaceutical division at TeamLease Services, told Business Standard.

Increasing automation continued to contribute to the shrinking of job opportunities, she said, but the sector was hit by low demand and a rise in costs.

On top of this, the slow pace of private sector investments over the past two years had hit critical levels when the demonetisation exercise was started in November. As a result, she added, more than 60 per cent of TeamLease’s clients operating in the manufacturing sector saw losses last year as outputs fell.

TeamLease provides employment services to major corporates such as Dabur, ITC, Pfizer and Bayer, among others.

The unorganised segment has been increasing competition pressure. “While the number of small manufacturing units in the unorganised segment saw a rise of more than 45 per cent last year, the rise in jobs has not been commensurate with that,” a senior official of the ministry of micro, small and medium enterprises said.

A result of this has been underutilisation of capacity, which the government hopes to address by bringing out a comprehensive manufacturing policy soon. Commerce and Industry Minister Suresh Prabhu has said this empty capacity would be reduced by focusing on exports.

Manufacturing activity, calculated as part of the Purchasing Managers' Index (PMI), showed an increase in August to 51.2 points from 47.9 points in July. To cope with high workload, manufacturers hired extra staff at the fastest pace since March 2013, the survey showed. Nevertheless, worries about the possibility of unexpected policy decisions weighed on the confidence of those surveyed for the PMI and the level of sentiment fell from July's 11-month high.
(Press Reader, September 8th, 2017)

8. ***'Go in for equity capital…not debt', SBI chief advises SMEs***

State Bank chairman Arundhati Bhattacharya urged small and medium enterprises (SMEs) to focus on raising funds through equity instead of debt to drive their businesses in a healthier manner.
She said SMEs' relying more on debt for their growth capital in the initial stage of their business put pressure on their balance sheets. "One of the major problems facing SMEs in our country is lack of equity. Equity capital is a much-neglected area in the SME sector," Bhattacharya told an SME summit and asked them to learn from technology players which have sourced large amount of equity to ramp up their business and market share.
Quoting the examples of e-commerce companions like the Flipkart and Amazon, she said these firms have done wonders with the help of equity.
Urging SMEs to present their case in a better way to investors to attract investments, she said, "There are people who can give you equity but you should know how to convince them that you are the right person who can give them good returns if they invested in his/her company."
She rued the fact a large number of entrepreneurs start off with borrowed money (from family or friends) and then depend on banks and not equity.
"With more debt, the requirement of margin goes up which strain your financial statements," she said. Chairman of Insolvency and Bankruptcy Board of India, M S Sahoo said the board will soon come out with an insolvency framework for SMEs. "Currently our entire regulatory framework and the ecosystem are designed only to deal with corporate insolvency.
Over 95 per cent of SMEs, particularly MSMEs, are individuals and are not covered by a corporate form of business. They would be covered when we come up with an individual insolvency regime," Sahoo said.
The board will come out with an insolvency regime for SMEs in two phases, he said.
"An individual insolvency regime is much difficult to bring in (as) compared to a corporate regime that is why we are planning to do it in phases. In the first phase, we are looking at guarantees to corporates--individuals who have given guarantees on behalf of corporates.
"In the second stage, we will look at individuals who have some kind of businesses, proprietorships/partnership or a non-corporate form of business which should cover the MSMEs," Sahoo said.
(Indian Express, September 8th,2017)

9. ***Procurement Policy***

The MSME ministry asked all government departments and public sector units to find ways to meet the four percent procurement target from enterprises owned by scheduled cast / scheduled tribes. The Public Procurement Policy 2012 stipulates that four percent of the total procurement shall be done by ministries, departments and Central Public Sector Enterprises from the entities owned by SC/ST.
(Statesman, September 13th, 2017)

10. ***With Tougher Norms, Importing Toys Isn't Child's Play Anymore***

The government has imposed tough quality norms for imported toys and mandated certification of compliance by agencies accredited with Indian authorities -a move that can choke Chinese imports and boost local manufacture, but the Rs 5,000crore local industry is worried about orders already booked for the festive season.
The comprehensive notification issued on September 1 prescribes norms for physical and mechanical properties, chemical content, flammability, and testing for indoor and outdoor toys for both electrically and mechanically operated ones -going far beyond the earlier norms.

The notification by the Director General of Foreign Trade (DGFT) says import of toys shall be permitted freely only if the manufacturer abides by norms of the Bureau of Indian Standards (BIS). Compliance has to be certified by an independent laboratory approved by an accreditation authority under the Department of Science and Technology.

This will hit import from China, which accounts for nearly 70% of toys available in the Indian market. Lob Gupta, CEO, Fun Toys, said the new norms will have a big impact. "Initially, there will be a big drop in imported toys from China. Government too will lose customs duty on account of this move. But safety standards will be ensured which is good for Indian children. The government should introduce BIS certification for India-made toys too, "Gupta told ET.

Electric toys, swings, slides and similar activity toys come under the ambit of the new government stipulation. The toy industry is worried about consignments already booked before the new norms came into force.

"This is the peak time for the toy industry and will continue till January. If some importer has ordered in August and his consignment is to land in September, then he will face a lot of problem to get clearance. We are not sure which are the laboratories from where we will get the conformance certificate, "said Manish Kukreja, president of All India Toy Manufacturers Association.

Kukreja is of the view that the importers should have been given at least three months' time.

However, a section of the toy industry feels the move may help domestic toy manufacturing industry as it is finding it difficult to compete with cheaper Chinese imports.

The domestic toy industry, which is largely a mix of organised and unorganised units, employs nearly 25 lakh people. Most of these units are located in West Bengal, Uttar Pradesh, Maharashtra, and Andhra Pradesh.

There are more than 2,000 registered units and at least 40% of these have already shut shop in the past five years, an industry executive said.

"It is a much-needed quality reform which would be beneficial for Indian children. However, importers should have been given some time so that pending orders lying offshore could have been imported. The DGFT notification comes at a time when the toy business is going through a bad patch since last November, when demonetisation was announced and the overall taxation has increased following the introduction of GST on July 1," Gupta of Fun Toys said.

Electric toys attract 18% GST against the earlier 12% VAT, while other toys attract 12% GST versus 5% VAT earlier.

(The Economic Times, September 13th, 2017)

11. *Maharashtra plans 100% sales tax refund to micro & small industries*

Maharashtra Industrial Development Corporation CEO Sanjay Sethi Tuesday said the government was contemplating increasing the refund limit of sales tax from the existing 20 to 80 per cent to 100 per cent for micro and small industries under the new GST regime. Sethi was speaking at the Badalta Maharashtra conclave.

Under the existing rules, he said, units that had come up in 'D' or 'D plus' zones were being given sops in sales tax between 20 and 80 per cent based on their location.

The government is now contemplating giving a complete 100 per cent refund under the new GST regime for these units for all zones.

Stating that over 1,000 plots had been allotted for micro and small industries in Maharashtra and in the last six months, Sethi said the entire process of plot allotments was now being done online. He said the total number of clearances needed for setting up units had been brought down too. .

(The Indian Express, September 13th, 2017)

12. *'Fund for lending to SMEs to be ready in 5-6 months'*

Y M Deosthalee, former CMD of L&T Finance Holdings Ltd, indicated that over a dozen top executives of Indian firms are planning to create a fund that will lend exclusively to the small and medium enterprises (SMEs) in the country.

"It is often difficult for SMEs to get funds from banks or raise money from the bond market. We need a platform which can give assured and sustained finance to the SMEs. A platform similar to the one in the US, which accounts for 80 per cent of the loans to SMEs. In India we need a similar platform and so we are talking to the regulators," said Deosthalee, who was speaking at a two-day conference, Badalta Maharashtra, organised by Loksatta in Mumbai.

Deosthalee said that the Indian fund for lending to SMEs will be ready in the next five to six months. The move by Indian executives to create a fund for SME lending will help entrepreneurs raise money from an alternate source and reduce their dependence on banks which are already burdened with huge non-performing assets (NPAs).

Gross NPAs have crossed 9.6 per cent as of March 2017, while the stressed loans ratio is over 12 per cent. As much as 86.5 per cent of gross NPAs are accounted by large borrowers. Deosthalee also said that the SMEs are a very important part of the economy and these enterprises should look at inducting investors as partners by issuing shares for money raised through them to ensure long-term financing.

Around 1.3 million SMEs contribute 45 per cent to India's manufacturing output and 40 per cent of India's total export. SMEs employ around 40 per cent of India's workforce, which is an estimated 80 million.

(The Indian Express, September 13th, 2017)

13. *Insurance Firms Use Chatbots to Sell Policies, and Help You*

Insurance companies are increasingly using artificial intelligence to sell policies and assist customers with insurance advice.

Today, chatbots -a computer programme that carries out conversations via auditory or textual methods -have partly replaced humans at insurance firms to answer customer queries, giving recommendations and issuing policy documents.

ICICI Lombard is using a program called MyRA to underwrite two-wheeler insurance as well as fire and burglary insurance for SMEs and offer them quotations in real time. It completes transactions including payment receipt without human intervention.

"MyRA has engaged in 65,000 interactions with customers and has successfully sold over 750 policies through chatbot without any human intervention," said an ICICI Lombard spokesperson.

"The SME-focused chatbot has been utilised in 4,000 cases in less than six months of launch."

If the chatbot does not have answers to queries, it refers those to human agents.

Other insurance companies including PNBBSE -0.29 % Metlife, Apollo Munich, Birla Sun Life, IndiaFirst and HDFC Life have either launched chatbots or are in the process of doing so, as they increase investments in technology, big data and automation for better customer service.

Apollo Munich Health Insurance launched Travel Ninja, a chatbot to sell travel insurance policies.

It suggests customers the right insurance plan and the sum insured, creates a policy proposal and gives them a payment link. It goes beyond just issuing a policy to assisting with emergency numbers and information on cost of living. The chatbot has completed more than 1,500 interactions in just over a month since its inception.

"With artificial intelligence being utilised across industries, we are leveraging the bene fits of these technological advances in our processes," said Antony Jacob, chief executive, Apollo Munich Health Insurance. "With the help of machine learning, the chatbot will better understand customers and offer them a more personalised and helpful experience."

(The Economic Times, September 19th, 2017)

14. *Exporters May Seek Exemption on Tax Payment*

Exporters plan to seek outright exemption on payment of goods and services tax, citing a crunch in working capital due to the uncertainty in the time taken to get refunds for unutilised input tax credit.

Exporters, heads of export promotion councils and senior officials from the commerce ministry plan to submit a petition seeking the exemption when they meet the revenue secretary.

"There is an apprehension that exports will decline, going ahead," said an official aware of the meeting.

Exporters are likely to raise the issues of working capital and refunds which will be ploughed back into their business and the loss of interest.

"Merchant exporters and those in the small and medium enterprises are up in arms," the official said.

Micro, small and medium enterprises now have to pay GST when buying from merchant exporters.

The government has two refund mechanisms for exporters. They can furnish a bond instead of paying integrated GST and claim refund of the unutilised input tax credit. This entitles them to get a 90% refund within seven days of acknowledgement of the application and the rest in 60 days. Alternatively, they can pay IGST and then claim the refund, which they get within 60 days.

Another official said certain traditional sectors like textiles and gems and jewellery are suffering and need special attention. A scheme offering higher duty drawbacks will end on September 30 and many exporters don't have the finances to pay for exports.

The liquidity crunch is estimated at $10 billion for the July-October period.
(The Economic Times, September19th, 2017)

15. *Delayed GST refund may cost exporters Rs. 65,000 crore*

Fearing that a staggering Rs 65,000 crore could get stuck in GST refunds, exporters asked the government to fast-track the refund process and avoid further deterioration in their "liquidity situation". The Committee on Exports, chaired by Revenue Secretary Hasmukh Adhia, met 8 export promotion associations to understand their concerns post the implementation Goods and Services Tax (GST) from July 1.

The GST Council, chaired by Finance Minister Arun Jaitley and comprising state counterparts, had in its last meeting on September 9 decided to set up a committee under Adhia to look into the issues faced by the export sector.

In its presentation before the committee, the Fieo stated that huge capital is blocked in refund and exporters will have to pay GST for July to October period from own resources.

"MSME units do not have capacity to pay further GST and thus they are refusing further orders. Our competitors exempt taxes on inputs for exports, therefore, ab-initio exemption be restored," it said.

Merchant exporters should also be exempted from GST on procurement against bond or letter of undertaking (LUT), it added.

"Scripts should be allowed to pay GST; bond/ LUT should be dispensed with as GSTN may map invoices with shipping bill; there should be an uniform GST rate for job work in all sectors, the Fieo said.

The panel is mandated to recommend to the GST Council a suitable strategy for helping the export sector in the post-GST set-up.

(Financial Express, September 19th, 2017)

16. *Allahabad Bank launched 'Allbank Shakti'*

To make the women financially independent and empowered, the Bank launched a new savings bank scheme "Allbank Shakti" designed specially for women. Dedicating the above scheme to the public, Bank's Field GM-North Ajay Kumar Srivastava, told that this scheme is for all girl/woman ages 18 years and above and consists of various attractive features. He said that the account holders, under 'Allbank Shakti' scheme, would be benefitted with lockers at concessional rate, free remittances (NEFT, RTGS, IMPS), free demat account for first year& over draft facility for salaried women. Besides above, benefit of no processing fee on housing, car and two-wheeler loans, concession on R.O.I. on MSME, education, housing and gold loans, is also provided under the scheme. The account holders also have the option of health insurance coverage upto Rs, 1 lakh at very concessional rate.

(Business Standard, September 21st, 2017)

17. *Changed stance for better outcome*

The flagship scheme of the Centre appears to be in difficulties as only 2.9 lakh out of overall 30.67 lakh trained candidates could receive their placement offers under the much-publicised Pradhan Mantri Kaushal Vikas Yojana (PMKVY). However, after realising the lack of quality training and information asymmetry regarding the demand-supply dynamics of skilled candidates, the Centre is contemplating to shift focus to district-level schemes to yield better results in the short-term for its skilling initiative. Now, the focus would be on better participation of states, with involvement district authorities to ensure delivery at the district level. The Ministry of Skill Development and Entrepreneurship – set up in 2014 under the Narendra Modi government – for the first time, has already started a district-level data-collection exercise to know the specific demand-supply conditions for each district. As soon as Dharmendra Pradhan got the additional charge of this Ministry after the removal of Rajiv Pratap Rudy, the Ministry has started exercises to involve industry at a mass level, especially from the Ministry of MSME, to follow a cluster-based model. It would definitely improve the job avenues for the candidates. The ministry has also decided to impart group training in a specific region, the expenses of which would be borne by the government. It may be noted that till the last financial year, it was not compulsory for training providers to report employment data under the PMKVY. Under the rejuvenated scheme, placement tracking has been made essential. The government has also planned to keep the implementation agency for PMKVY, National Skill Development Corporation (NSDC), away from implementation of the proposed district-level plan – to impart skills and apprenticeship in a better way

to impart skills and apprenticeship in a better way with a larger participation of the states. The government decision appears to be more requirement-centric. Much can be done with the quality and location given. With a district-level action plan, padded with adequate quality information, this flagship programme of the Centre can be more useful. It would also create larger platform for the government to get into MoUs and put forward the better place-monitoring mechanisms. Much can be expected now with a shift in the stance of the ministry's skill training from being supply-driven to demand-driven, as the crux of the government's focus would now be to impart skill training to one crore people over four years. Clearly, the new skills minister Dharmendra Pradhan and his new deputy Ananth Kumar Hegde would have three key tasks at hand: to speed up the pace of skill development for achieving targets; bring jobs to the trainees; and put the whole skill eco-system in order.
(Millennium Post, September 21st, 2017)

18. *French Rafale ready to make jets in India*

In line with their contract obligations, French major Dassault Aviation has said it was coordinating between French suppliers and Indian companies to manufacture Rafale fighter jets in India.
Rafale International comprising Dassault Aviation, Safran and Thales has met over 100 French Small and Medium Enterprises (SMEs) in Paris. Indian and French Defence Ministry officials, too, were at these meetings. The French Aerospace Industries Association is the nodal agency producing systems and sub-systems for Rafale.
French SMEs were being encouraged to set up production activities in India alongside Dassault Aviation, Safran and Thales as part of the Rafale programme to help the company meet its obligations, said a Rafale spokesperson in India. The move comes two days after a US business chamber expressed its concerns over sharing hi-end technology with Indian companies.
"Encouraging French SMEs to come to India is a key condition to participate in the 'Make in India' initiative of PM Narendra Modi and will benefit both French and Indian industries," the spokesperson said.
Rafale is looking towards creating opportunities for establishing a full-fledged aero-defence manufacturing eco-system in India, said Eric Trappier, Dassault Aviation chairman and CEO and GIFAS chairman.
The GIFAS is a trade body of 382 members ranging from major prime contractors and system suppliers to small specialist companies.
(The Tribune, September 22nd, 2017)

19. *Rs. 50,000 crore stimulus to boost economy on the cards*

Left with little choice and headroom, the government may consider an Rs 50,000 crore stimulus to pump prime the economy.
It may be aimed to provide a boost for the slowdown-hit economy, particularly its worst performing key sectors like exports, infrastructure, manufacturing and MSMEs, where the deceleration has led to a 5.7 per cent growth in the Q1 and threatens to subvert any revival in Q2 as well.
Well aware that such a dole-out could throw away the fiscal deficit target of 3.2 per cent this year, the carefully crafted steps of a package is now a necessity with the finance ministry.
The new fiscal dispensation suggested by the NK Singh committee gives elbowroom to the government to pursue expansionist goals as long as additional expenditure is within a range of 0.5 per cent of GDP. This allows additional spending up to Rs 72,000 crore this fiscal.
Sources said that as part of new steps being looked at by the finance ministry, it could offer sops to the export sector, which has been hit hard by the rising rupee.
The blueprint for reinvigorating the export sector could also include giving exemption to exporters from payment of GST, but this has to be approved by the GST Council.
Exporters are facing problems on pending GST refunds, which is affecting their operations.
For the small and medium sector (MSME), the government dole could include relaxation of the working capital requirement to 180 days from the current 90 days and a new interest waiver scheme. This is expected to allow MSMEs more time to mobilise funds for operations and investments. The MSME sector is the main driver of India's economy and also a job creation engine.
The stimulus would also include more funds for construction of roads and expansion of the railway network.
(Financial Chronicle, September 22nd, 2017)

20. *SCRAP 3% GST, SAY DIAMOND EXPORTERS*

GEM and jewellery exporters have urged the government to abolish 3 per cent GST on the business to business (B2B) trade of diamond to boost export growth.

"We have requested government to remove tax on B2B to boost our exports of finished diamond. With around 38 countries we have B2B ties where there is no existence of such tax that may create anomaly in the trade," said Dinesh Navadia, regional chairman of GJEPC (Surat).

In case of B2B supplies of goods and services, traders need to upload credit receipts and all invoices.

Further, the council has also urged the GST council to make arrangements of funds for small manufacturing entrepreneurs (SMEs). "We have around 10,000-15,000 SMEs who are struggling with funding issues. The government should come out with policy to provide 50 per cent of funds to these SMEs," said Navadia.

Before exporting polished diamond, it has to move through several processes and imposition of rate at every stage will lead to obstruction of capital, which directly hurt exports.

Declining exports of cut and polished diamond for the past 3 consecutive months confirms the disruption owing to the introduction of tax under the new regime.

(Financial Chronicle, September 22nd, 2017)

21. *Govt stimulus to boost economy in the works*

Putting more money into the hands of consumers this festive season, easier loans to SMEs and expediting disinvestment are among the steps being considered as part of a stimulus package to dig the economy out of its deepest slump in three years, according to officials.

Also on the menu are measures to encourage domestic investments and provide more money for rural infrastructure and affordable housing, they said.

Chief Economic Advisor Arvind Subramanian has been tasked with preparing details of the pressure points facing the economy and the probable remedies.

The finance ministry officials said the government recognises that liquidity is a problem but is undecided on easing the target of shrinking budget deficit to 3.2 per cent of gross domestic product (GDP) in the current fiscal from 3.5 per cent the previous year.

Policy makers are aware that easing stress and giving consumers more money to spend is the need of the hour and that policies have to be put in place before the festive season. Private consumption demand is low and one of the suggestions before the government is to cut tax rates or increase threshold, they said adding these are only proposals and no view has been taken on them as yet.

With lingering impact of demonetisation of 86 per cent of currency in circulation and implementation of Goods and Services Tax (GST) resulting in India losing its fastest-growing major economy tag as GDP growth slipped to a three-year low of 5.7 per cent in the April-June quarter.

Officials said with limited resources and no windfall expected out of GST, the government is working on measures that will spur investment and create jobs for the swelling workforce.

However, the government expects the situation to stabilise in three to four months and does not see fiscal deficit to be breached.

The government is looking at monetising some of the rail assets, besides Air India, and fast-track disinvestment of government holding in bluechip PSUs to increase non-tax revenue.

Also, South Korean companies are keen to develop rail track in India and if that money comes in, government spending on railways could be trimmed, the officials said.

Stating that sluggish exports are an area of concern, they said with the rupee strengthening against the dollar what is being contemplated is to make them competitive by allowing them relaxed compliance rules.

By relaxing norms like Bonds and Letters of Undertaking, thousands of crores working capital could be unlocked, they added.

Also being discussed is increasing loan availability for Micro, Small & Medium Enterprises (MSMEs) by tweaking the MUDRA Yojana to allow more funds to them.

Bank recapitalisation is one of the considerations while the government deliberates on measures to revive the economy.

Also, states will be nudged more to lower VAT on petrol and diesel as that would have a trickle-down impact on the entire economy.

(The Indian Express, September 24th, 2017)

22. Rs 996-cr package for SMEs in bulk drugs

With the pharmaceutical sector struggling to keep pace with international standards, the central government is readying a Rs 996-crore plan to boost small and medium-sized enterprises (SME) units focusing on bulk drug and medical device — two areas where India is heavily import-dependent.

As per the three-year plan, reviewed by DH, the lion's share (Rs 600 crore) would be allocated for the bulk drug industry, whereas the sunrise medical device sector would receive Rs 150 crore.

A budget of Rs 180 crore has been proposed for pharmaceutical technology upgrade assistance scheme and Rs 60 crore would be set aside for a separate scheme to assist the industry.

The remaining Rs 6 crore will be spent on pharmaceutical promotion development scheme.

The department of expenditure under the Union finance ministry in August gave in-principle approval to the scheme, put forward by the department of pharmaceuticals, which is finalising the nitty-gritty of the scheme, before it goes to the Union Cabinet for final approval.

The proposal seeks to create dedicated industrial parks for manufacturing bulk drug, as suggested by an expert panel, headed by former ICMR chief V M Katoch. Bulk drugs are raw material required to manufacture the formulation sold in chemist shops.

Moreover, the programme aims to improve the small and medium industry in the pharmaceutical sector as nearly 10,000 (out of 10,500 units in total) drug manufacturing units belong to the SME category, which are not in a financial position to improve their processes.

A big chunk of the money would be utilised to create common facilities both in the bulk drug and medical device sector.

For the bulk drug sector, the common facility would be an effluent treatment plant that can cut down the manufacturing cost by 20%-25%.

For medical device, the common facility could be testing laboratories and moulding centres that all manufacturers can use.

As export constitutes around 50% of the total industrial turnover, Indian drugs are being sold in highly regulated markets like USA, Russia, Germany, Austria and the UK with USA alone accounting for almost 25% of the export.

But with international customers demanding more stringent environment compliance standards, the SME sector faces a big challenge due to its financial limitations and antiquated standards. The proposed scheme is meant to address these issues.

(Deccan Herald, September 25th, 2017)

23. India faces tough prospects at Buenos Aires WTO meet

Developing countries, particularly India, are likely to face difficult prospects at the World Trade Organization's (WTO) eleventh ministerial meeting in Buenos Aires beginning 10 December.

A group of industrialized countries and their allies in the developing world are considering launching plurilateral trade negotiations for establishing rules in investment facilitation, disciplines for small and medium enterprises, and even fisheries subsidies, said people familiar with the development.

Such a development is being considered as part of a Plan B, if the Buenos Aires meeting fails to accomplish any substantive agreements on the outstanding Doha Development Agenda (DDA) issues because of differences among key members, said a South American trade envoy, who asked not to be named.

A major industrialized country remains opposed to any substantive agreements based on the Doha agenda, including a permanent solution for public stockholding programs for food security—a key Indian demand.

Plurilateral agreements are based on 'coalitions of the willing', instead of involving the entire membership of the WTO on a multilateral basis. Effectively, plurilateral negotiations will undermine the multilateral framework of the WTO on a permanent basis, the envoy argued.

Further, plurilateral negotiations for crafting rules in investment facilitation, disciplines for small and medium enterprises, electronic commerce, and even fisheries subsidies, are much more harmful than plurilateral negotiations on tariffs, said another trade envoy from an African country, who asked not to be identified.

India had consistently opposed any negotiations on investment facilitation and disciplines for MSMEs (micro, small, and medium enterprises) on the grounds that they were outside the WTO mandate.

The Plan B has almost become an imperative due to a shortage of time and continued opposition from major industrialized countries, particularly the US, for finalizing outcomes based on the Doha work program in areas such as developmental flexibilities, domestic support for cotton, and permanent solution for public stockholding programs for foods security, the envoy suggested.

The US along with other industrialized countries said on 14 September that they would not engage in any discussions for improving the special and differential flexibilities for developing countries in different WTO agreements in the Doha work program, as demanded by more than 100 developing and poorest countries.

India strongly supported the demands by the African Group, ACP (Africa, Caribbean and Pacific) group, and the LDC (least-developed countries) group for improving special and differential flexibilities in different covered agreements, according to a person who attended the meeting.

Already, the US Trade Representative Robert Lighthizer has signalled that the Buenos Aires meeting is "unlikely" to produce any negotiated outcomes. "There are some areas where the US would like to see action, but it appears that members are unable to agree on any issues," Lighthizer said, according to a report in Washington Trade Daily on 19 September. "At best, the Buenos Aries meeting will end with agreement on an agenda for moving forward on issues next year," Lighthizer added.

Despite such strong signals from Washington, it is business as usual at the WTO. Roberto Azevedo, Director-General of the WTO, met the trade envoys of the European Union, China, India, Brazil, the US, and Japan, among others, on a one-on-one basis to elicit their assessment on the state of play in the negotiations.

On 21 September, the director general convened an informal heads of delegations meeting to issue an ambiguous report on how the negotiations will be conducted in the run-up to the Buenos Aires meeting.

Azevedo called for prioritizing issues that are do-able in terms of negotiated outcomes and the unresolved issues that will require a work program for further negotiations after Buenos Aires. He said these two baskets of issues must be finalized proceeding to Buenos Aires. The director general called for a consensual document on the format for conducting negotiations at Buenos Aires, so as to avoid the controversial Nairobi decision-making process, according to participants present at the meeting.

The African Group of countries want "the principles of full participation, inclusiveness, and transparency, in the run up to, as well as during the MC11."

"Buenos Aires must deliver on development-related issues in accordance with the letter and spirit of the Doha Development Agenda," a representative of the African Group said.

(Live Mint, September 25th,2017)

24. *Traders Need Handholding on GST: PM*

Prime Minister Narendra Modi in his monthly PRAGATI meeting on Wednesday said traders need hand holding to resolve their problems over the GST regime.

"On GST, Prime Minister said that while traders across the country are positive and are accepting this new taxation arrangement, they need handholding so that their problems can be resolved. He urged the Chief Secretaries to use the district administration in this regard, so that small traders are facilitated to access and adopt the new system," a statement issued by the PMO said.

"He reiterated that small businesses must register with the GST network, to take advantage of business opportunities. He said that the common man and the trader must benefit from this path breaking decision," the statement added.

According to the PMO, 21 meetings of PRAGATI so far have seen a cumulative review of 190 projects with a total investment of Rs. 8.94 lakh crore. The programme. launched by Modi in 2015, is aimed at addressing the common man's grievances as well as monitoring and reviewing important schemes and projects of the government.

"In the twenty-second meeting, the Prime Minister reviewed the progress towards handling and resolution of grievances related to the banking sector. The Prime Minister asked the Secretary, Financial Services, to look at ways to increase the use of RuPay debit cards that have been issued to Jan Dhan account holders. The Prime Minister was briefed on the relief that has been received by the Jan Dhan account holders, as part of the insurance provisions that are linked to these accounts," the PMO statement said.

The India Myanmar Friendship Bridge was also reviewed at Wednesday's meeting along with progress of the National Heritage City Development and Augmentation Yojana (HRIDAY), and the Sugamya Bharat Abhiyan (Accessible India Campaign) for the differently abled.

"The Prime Minister said that while many Union Government departments are now using the Government e-Marketplace (GeM), only ten States have so far shown keenness in using it. The Prime Minister said that GeM increases the pace of procurement, and boosts transparency, besides supporting enterprise at the local level," the PMO statement added.

(The Economic Times, September 27th, 2017).

25. *New Policy set to benefit Reliance*

The Integrated Industrial Licensing Policy (IILP), which the Haryana Cabinet meeting presided over by Chief Minister Manohar Lal Khattar approved today, is set to benefit Mukesh Ambani-led Reliance Industries Limited (RIL).

In fact, a slew of incentives in the IILP will give a boost to the integrated township projects (ITPs) of Reliance Industries, which own nearly 1,200 acres in Gurugram and about 7,000 acres in Jhajjar after denotification of its special economic zone (SEZ) in 2013.

The previous Bhupinder Singh Hooda government had allowed development of ITPs after denotification of the SEZs in 2013.

Under the new IILP, the sale and purchase of industrial properties in integrated industrial colonies will be governed by the Haryana Apartment Ownership Act, 1983, under which no freehold property could be sold. While 50 per cent of the industrial component will have to be developed for the “plug and play model”, 20 per cent of the area will be allocated for cluster development. Similarly, residential (up to 10 per cent) and commercial (up to 5 per cent) components will be allowed. A minimum of 15 per cent area of the colony will be earmarked for organised open parking.

“The plug-and-play model will help small and medium enterprises, which do not want to go through the whole process of land acquisition and building factories. In a new start-up eco-system where much of the investment is needed for land, the innovator is left with hardly any surplus to invest in technological innovation,” Krishan Bedi, Minister for Welfare of Scheduled Castes and Backward Classes, said.

Under the current policy, only plotted development is allowed. Now, the developer will have the option to develop a colony in the shape of an integrated complex comprising industrial apartments/ flatted industries with a global FAR equivalent to 1.0 of the industrial component. The entire complex will be a gated industrial colony with no internal boundary walls separating industrial establishments.

(The Tribune, September 28th,2017)

26. *PSUs to invest an additional Rs 25,000 crore to boost economy*

As the government looks for steps to boost investments in the economy, public sector undertakings (PSUs) have indicated to the government that they will invest Rs 25,000 crore in additional capital expenditure above the target of Rs 3.85 lakh crore budgeted in 2017-18. The government has also asked cash-rich undertakings to declare liberal dividends to fund infrastructure creation

As part of the sectoral meetings being held to find ways of improving the economic outlook, Finance Minister Arun Jaitley reviewed capital expenditure programme and status of dividend distribution of central public sector undertakings.

These include secretaries of ministries concerned and CMDs of major CPSEs, including Petroleum, Defence, Power, Road Transport, Railways, Coal, Mines, Steel and Atomic Energy. Finance Secretary Ashok Lavasa and Secretary, Economic Affairs, Subhash Chandra Garg, were present in the meeting.

The Finance Minister also held a meeting with stakeholders involved in the implementation of GST. He invited suggestions to improve GST implementation systems to ensure the compliance burden does not adversely affect, especially the MSMEs.

Garg said the capital expenditure programme of the PSUs is on track for the year and they have indicated they will invest Rs 25,000 crore more than the target of Rs 3.85 lakh crore for the year 2017-18.

Garg said the capital expenditure programme would again be reviewed at the end of November or early December.

The Finance Minister while addressing the Secretaries and CMDs stressed that the CPSEs may not only complete their budgeted capital expenditure but should also look to aggressively push capital expenditure in the interest of boosting investment in the Indian economy.

The CPSEs which have free reserves and surplus cash were asked to consider declaring liberal dividends so as to promote more productive use of such resources for financing much-needed physical and social infrastructure. The Finance Secretary advised the CPSEs to release outstanding payments expeditiously to help improve the liquidity in the market.

(The Tribune, September 29th,2017)

27. *Industry, exporters bring up GST concerns at FM meet*

The WOES OF exporters, including the blockage of working capital under the goods and services tax (GST), dominated the meeting of stakeholders with finance minister Arun Jaitley on Thursday. The GST Council is expected to announce measures to unburden exports in its meeting on October 6.

Under GST, exporters are required to pay the new tax on inputs and claim refund when the actual export take place. However, after the government postponed filing of invoice-wise-detailed returns (GSTR-1, GSTR-2, GSTR-3), the refund has also been stuck as invoice matching cant be done with the interim summarized (GSTR-3B).

The absence of refund has forced exporters to borrow for their working capital needs. "Small exporters are particularly hit with GST as they have to borrow money to pay the tax. Availability and the cost of credit is adversely impacting them. The government should consider introduction of an e-wallet for exporters," Federation of Indian Export Organisations(FIEO) president Ganesh Gupta said after the meeting.

FIEO is also believed to have asked for exemption from GST for merchant exporters, immediate start of the refund process with exporters facing liquidity issues and allowing export benefit scrips for payment of IGST and CGST.

The finance minister clarified last week that for nearly 66% of the value of exports, exporters opted for the duty drawback scheme (they did not pay taxes on inputs) instead of refund mechanism, which implies no blockage of working capital. Only the remaining exporters used the refund mechanism. However, the finance ministry has indicated that the Council may devise a mechanism to refund exporters sooner in its meeting.

Additionally, the industry has also demanded that the threshold for triggering payment under reverse charge mechanism(RCM) be raised to Rs. 50,000 from Rs. 5,000 currently to reduce compliance burden on small industries. The industry also demanded exemption from IGST on procurement of precious metals from nominated agencies for the purpose of manufacturing and export of jewellery.

Representatives from KPMG, CII, FICCI, Gems and Jewellery Export Promotion Council, Laghu Udyog Bharati, GST service providers, ICSI, Institute of Chartered Accountants of India and Amazon were present

(Financial Express, September 29th, 2017)

FICCI- CMSME Event

3rd Annual General Meeting of the Confederation of Micro Small and Medium Enterprises (FICCI- CMSME) and a special Interactive Session on GST for MSMEs
September 25th, 2017, FICCI, Federation House, Tansen Marg, New Delhi

The 3rd Annual General Meeting of the FICCI-Confederation of Micro Small and Medium Enterprises (FICCI-CMSME) was held on 25th September, 2017 at New Delhi. The AGM was followed by a special Interactive Session on GST for MSMEs.

Mr. Sanjay Bhatia, President, FICCI-CMSME and Managing Director, Hindustan Tin Works Limited in his Presidential Address welcomed the Executive Committee members to the Third Annual General Meeting of the Confederation of MSME & appraised the General Body about the membership status, events & programmes, policy advocacy work and CMSME's representation in Government Committees.

Dr Sanjaya Baru, Secretary General, FICCI and ex-officio Secretary General, FICCI-CMSME in his address praised the President on his commitment towards the development of MSMEs and for linking more MSMEs with FICCI. He emphasized that CMSME this year should focus towards increasing its membership base and should engage more with young and women entrepreneurs.

The 3rd AGM also witnessed the elections for constituting the Executive committee and the Presidium. The announcement of results was followed by a special Session on GST for MSME conducted by Ms Nidhi Goyal, Managing Director, Tax and Regulatory Affairs, Protiviti India. She made a presentation on the various aspects of the GST law and addressed the queries put forward by MSME entrepreneurs.

Mr Sanjay Bhatia, Managing Director, Hindustan Tin Works Limited, Mr R Narayan, Founder & CEO, Power2SME and Mr Girish Luthra, Chairman, Gujarat Enviro Protection & Infrastructure Limited were elected as the President, Sr Vice President and Vice President of the Confederation of MSME respectively.

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Case Study 1:

Implementation of SCORE Module 1 "Workplace Cooperation" at Smash Enterprises (Pune), by FICCI through its National Coordination Centre for SCORE Training

Problem Definition/ Identified for Improvement:

SMASH Enterprises is into specialized welding of carbon steel, alloy steels and stainless steel components. One of the workplace challenge faced was lack of proper space at the shop-floor due to leftover electrode pieces. One of the goal was set to "Reduce Space Constraint by 10%".

Process / steps adopted to address the problem:

- An Enterprise Improvement Team (EIT) was formed as a first step. The EIT is the driving force behind implementing any new initiatives during the SCORE trainings. EIT is cross-functional and cross-hierarchical, which brings together managers and workers (including supervisors) to collectively plan and implement solutions.
- EIT highlighted that earlier attempt for cleaning the shop-floor of the waste material like electrodes has not been successful. During the brain storming session in EIT, an idea of using magnet to clear the shop-floor was shared by the EIT members.
- As part of 5S, the EIT members initiated a "shop-floor cleaning project" and henceforth all the workers participated in hand picking the scrap material and cleaning by magnet.

Results Achieved:

- Space utilization improved by about 12%. About, 210 kg of end pieces of electrodes plus few gunny bags of ferrous dust were collected
- About Rs. 65,000 were earned by disposal of unwanted material and scrap. Rs. 20,000 were spent to purchase drinking water purifier for the shop-floor workers and their drinking water problems got addressed
- With the availability of space there was an opportunity to work on new product development and new orders

Lessons Learnt:

- SCORE program provided a new way of looking at the situation at the workplace and opportunity to brainstorm to find solutions within the available resources.
- Management and operators realized the benefits of 5S that it helps to identify hidden and unwanted materials and the monetary benefits that can be derived.
- Employees can find out ways to reduce waste, remove scrap and can use the money earned or saved for their own benefit, which is WIN - WIN situation for both Management and employees.

BEFORE

Equipment lying unorganized on the shop-floor.

AFTER

Lot of free space by implementing 1S & 2S

End pieces of electrodes and ferrous dust on shop floor

Operators hand picking end pieces of electrodes and other scrap from floor

Operator using magnet to collect ferrous scrap and dust from the floor

Shop floor looking clean after magnet cleaning

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