- **MANUFACTURING MANDATE**

FICCI unveiled its twelve point 'Manufacturing Mandate' with a focus on job creation and skill development. President FICCI, appealed to the Government that the magnitude of the task ahead of us is enormous and we need to prioritize policies and measures which would ensure that manufacturing rebounds and creates jobs for the millions who are going to join the labour force in the next ten to fifteen years.

FICCI's Twelve Point Manufacturing Mandate suggests a 10% manufacturing growth on a long term basis with a potential to create 67 million jobs in manufacturing directly, provided some pro-active labour market policies are implemented as suggested in the mandate. With 10% manufacturing growth, we can achieve a size of $950 billion by 2025 from the current size of $ 250 billion for our manufacturing sector and take the total employment in manufacturing to 115 million during the period. While, this remains short of the targeted additional employment of 100 million by 2025 as per the National Manufacturing Policy this would be more realistic given the current economic scenario.

Since manufacturing has to bear a major proportion of job creation in times to come it is important that an enabling policy framework for attracting skilled, semi-skilled or unskilled workers in the sector is provided. The Mandate suggests twelve broad areas with specific measures for the short and long term, to stimulate growth and job creation in manufacturing on a sustainable basis. These twelve areas are as follows:

1. Macro Economic Environment and Measures
2. Taxation
3. Labour Policies and Workers' Housing
4. Feedstock, Raw materials & Electricity for Manufacturing
5. Land for manufacturing
6. Industrial Corridors and Clusters
7. Ease of Doing Business
8. Infrastructure
9. Free Trade Agreements & International trade
10. MSME
11. Stimulating Demand
12. Skill Development

FICCI SURVEY: SLIGHT UPTURN IN MANUFACTURING IN QUARTER II 2013-14 - FICCI's latest Quarterly Survey on Manufacturing for second quarter of 2013-14, indicated a slight upturn in manufacturing activity. Recent initiatives of the government to remove supply bottlenecks by clearing some of the large projects are perhaps reflected in the higher growth expectation for manufacturing sector in quarter two of 2013-14, noted the survey.

The proportion of respondents reporting higher levels of production in second quarter of 2013-14 has improved to 47% as compared to over 35% in previous quarter. Similarly, proportion of respondents expecting any fall in their production level in second quarter has also fallen to 16% as compared to 26% in previous quarter. Upturn in industrial sector is particularly evident in sectors like leather, textiles, cement and chemicals. At the same time, sectors like automotive, capital goods, textiles machinery, paper and food are expected to witness sluggish growth in the current quarter.

- **THE FREE FALL OF RUPEE**

With the Rupee touching new low viz-a-viz dollar - the largest fall in many years' concerns across several sectors continue. These concerns need to be addressed - after all India has never restricted dividend flows offshore or indeed sales of equity share proceeds even when the situation was more dire . FICCI would want to reiterate that the current depreciation is more symptomatic in nature. We hope that the recent liquidity tightening measures and rupee outflow restrictions announced by Reserve Bank and ministry of Finance are temporary and would be reversed once we are on a firm ground. At this juncture, instilling confidence among investors should be the most important task at hand.

We understand that there are multiple challenges at hand, with the greatest concern being the twin deficits. Also, the industrial growth is languishing and it will be important to get the optimism back amongst the investors. The need of the hour is to ensure the investment cycle returns. Though we will have to wait for some time to see firm signs of recovery, it will be important to continue the momentum on the reform front.

- **FICCI ON LAND ACQUISITION**

The Land Acquisition Bill passed by Lok Sabha is expected to make one of the key factors of production for manufacturing scarce and expensive. This certainly doesn't augur well for India's manufacturing sector. As we all know future jobs can be created if we are able to give necessary push to manufacturing in India. With passage of Bill, cost of land is not only go up significantly, even the process of acquiring land will get stretched by 4 - 5 years. FICCI hopes that going forward process will be simplified and government will extend all assistance to private sector in acquiring land.

- **FICCI COMMENTS ON GDP GROWTH AT 4.4% IN Q1 FY14**

GDP growth data for Q1 FY14 released remained flat not seeing much recovery. This was anticipated given the difficult economic situation. GDP posted a growth of 4.4 % in Q1 FY14, vis-à-vis 4.8% growth in Q4 FY13 and 5.4% growth in Q1 FY14.

The economy continues to tread in difficult waters as many challenges remain on the fore. The precariousness displayed by Rupee has raised concerns afresh on the external front, industrial growth continues to face deceleration, and the investment cycle is yet to kick off. The Gross Fixed Capital Formation registered a growth of (-)1.2% in Q1 FY14, vis-à-vis 3.4% growth in Q4 FY13. Understandably there is no perfect recipe to steer out of the current state of affairs but what we need is swift action given the volatile situation.

Further with good monsoons, agricultural growth is expected to pick up this year. However, we would have to strive harder on the reform front to give a push to the manufacturing sector. The government in the past few weeks has been very proactive announcing measures to step up FDI and manage the widening current account deficit. However, we need to pursue a longer goal of making India more investor friendly taking steps like rolling out GST, working on removing regulatory hassles. In fact, with the PM reiterating on the need to focus on these difficult reforms, we hope that these steps would soon be expedited.

- **FICCI'S VIEWS ON ELECTRICITY ACT**

President FICCI, said, at FICCI's National Conference on '10 Years of The Electricity Act, 2003: A Critical Review' that electricity is an important subject on the concurrent list but this federalism has, led to less than optimal results for the sector with policy implementation being either absent or undertaken in a very limited way. For the nation as a whole, this has meant that initiatives pertaining to open access, tariff rationalisation, competition etc. could not realise their real potential. To give a specific example, there have been instances where some states have invoked Section 11 of the Act even in an almost normal situation. Such measures are most detrimental to the market evolution and development and need to be stopped.

Another disturbing trend is that the country is facing severe power cuts at the same time when power plants are lying idle. Rising fuel costs makes power generation expensive and financially impaired power utilities prefer to load shed and cut costs. A lack of commercial orientation and presence of irrational tariff structures is severely impairing finances of distribution utilities.

FICCI has released a Knowledge Paper on **'10 Years of The Electricity Act, 2003: A Critical Review'**, at this conference.

- **FICCI COMMENTS ON CABINET'S DECISION ON FDI**

Increasing FDI limits is a significant move towards reviving the economy by improving on the current account deficit and encouraging fresh investments in the country. FICCI welcomes the Cabinet's decision on enhancement of Foreign Direct Investment (FDI) limit in the Indian telecom sector from 74 per cent to 100 per cent. This is a significant milestone in the liberalization process in the Telecom sector that began in the mid-90s. This pro-industry and a pro-consumer move reflects Government's commitment towards improving the current investment sentiments existing in the sector. The move will help the telecom industry to recover from its debt issues, thereby improving the financial health of the industry. The step will provide more flexibility to the existing shareholders and others looking at long-term investments in India in the sector. Along with National Telecom Policy 2012 and other necessary reforms, this announcement will benefit the Indian economy and consumers over the Long term.

FICCI believes it is noteworthy that the Government has continued to engage with potential investors in the Retail sector with a view to calibrate the policy to encourage FDI in multi-brand product retailing. FICCI supports a policy that allows MSMEs to grow and become part of the Global Value Chain which is possible in an ecosystem that supports greater outsourcing from the MSMEs. The right balance will only be evident when investments begin to happen and MSMEs are able to demonstrate their ability to deliver.

- **INDIA'S S&T POLICY SHOULD BE OUTPUT-DRIVEN, WEALTH CREATING AND BASED ON VENTURE FUNDING MODEL**

FICCI has suggested a three-pronged approach to take India's R&D efforts to a higher trajectory. The strategy should be to reorient the National S&T Policy which is output-driven, connect knowledge generation to wealth creation and problem solving and follow a venture funding model for private sector projects, particularly for SMEs. Such a strategy would raise India's share in the global research output, increase private sector R&D spending and raise the country's overall spend on scientific and technological R&D from the current level of 0.98% of GDP.

India's public spend in R&D is less than the current average expenditure of China, South Korea and most Western countries. FICCI suggests that the Government should stick to its commitment for a steady increase in budget outlay for R&D and double the current investments over next 5-8 years. Furthermore, India's private sector investment in R&D is less than 25% of overall R&D spends. The Government should create an aggressive policy environment for boosting private sector investment in R&D. Apart from the existing R&D offset credit policy for industry; there should be adequate tax-breaks and a fast-track patenting facility for breakthrough innovations. The Government should also introduce legislation for allowing public sector scientists to file patents, create new enterprises and share financial returns of their inventions.

At present, there is considerable lack of industry-academia-public lab linkage in the R&D ecosystem, leading to low competitiveness. Introduction of structured platforms for open collaboration between all R&D stakeholders under different S&T sectors will facilitate researcher exchange from academia and public labs to industry and vice versa this creating better synergy in public-private and basic-applied R&D.

- **<u>FICCI WATER AWARDS</u>**

FICCI in association with HSBC instituted the annual Water Awards, under the auspices of FICCI's Water Mission. This year a fourth category was introduced, Water Initiative by NGOs, to the existing three categories of Industrial Water Efficiency, Community Initiatives by Industry and Innovation in Water Technology.

FICCI Water Awards were conferred on 10 companies recognized their efforts in areas such as water efficiency, management and its conservation. The initiatives adopted range from integrated watershed management, rainwater harvesting; wastewater treatment; water audits and technology modification for reduction in freshwater consumption and reuse of wastewater.

- **<u>FICCI'S VIEWS ON COMPANIES BILL</u>**

FICCI welcomed the passage of the Companies Bill which will give India a comprehensive and contemporary legislation. This legislation is indeed a milestone in the history of company law and will revolutionize the administration and management of businesses.

The Bill has been through many stages of discussion and has brought in many radical changes to the erstwhile Act. FICCI has been part of these discussions and compliments the Ministry of Corporate Affairs and its officials for adopting a highly pragmatic and consultative approach towards evolution of the present day Companies Bill. Industry hopes that the Working Rules which are expected to be put out in the public domain before notification would provide greater clarity on the operative provisions in the Bill while taking into account legitimate concerns of India Inc.

The new Bill has introduced numerous changes and concepts which should simplify regulations and bring greater clarity and transparency in managing businesses. The global environment calls for economic laws and regulations that are effective and efficient, have a reasonable compliance cost and keep Indian businesses competitive.

Upon enactment, there will also arise the indispensable need for aligning the existing regulations with the new law. FICCI hopes that there are no inconsistencies in various laws since consistency and certainty in laws helps in effective functioning of business. Any legislation evolves with time and we are certain and hopeful that the new Companies Act while providing an enabling environment for smooth working and growth of India Inc. will also address valid concerns of the Industry.

- **FICCI'S REPORTS ON SOLAR FINANCING, SECURING THE SOLAR SUPPLY CHAIN AND HANDBOOK ON INDIAN SOLAR SECTOR RELEASED**

FICCI released an in depth report on 'Financing Solar Energy' and 'Securing the Supply Chain for Solar in India' and **Indian Solar Handbook and Directory.** The reports by the industry come at a time when the solar sector in India is undergoing tough times due to lack of appropriate financial mechanisms, low cost financing alternatives, and regulatory certainty.

One of the biggest challenges solar projects in India face is the availability of cheap finance. Due to the higher prevailing costs, these projects have longer payback period. Lenders are also wary about off-taker risks due to the financial health of SEBs. Additionally, banks in India face structural challenges due to their sectoral exposure limits. Given these challenges, the FICCI Report on Financing Solar Energy makes the following recommendations to improve the financing of solar energy projects:

- Making renewable energy as an independent sector (separate from Power sector) as many banks have reached their sectoral exposure limits
- Putting solar energy under priority sector
- Improving liquidity through a solar energy fund, solar bonds, refinancing by pension/insurance funds, longer duration construction loans
- Lowering the Cost of Debt by eliminating the tax on interest received by banks and relaxing ECB norms
- Addressing the performance of state utilities and improving their fiscal health

FICCI also released the Indian Solar Handbook and Directory, a compendium for information on the policy and institutional framework for solar energy in India and the stakeholders involved in the Indian Solar Energy space. The Handbook consists of information on solar market, central and state government policies, regulatory overview, nodal agencies as well as case studies highlighting successful stories. The Directory portion provides information on Equipment Manufacturers, Project Developers, System Integrators, Sales and Marketing companies, and energy service companies in the field of solar energy.

- **CAPACITY BUILDING FOR HEALTHCARE PROVIDERS TO COMBAT CHILD MALNUTRITION**

FICCI Aditya Birla CSR Centre for Excellence and **Glenmark Pharmaceuticals Ltd** organized the conference, which brought together experts from diverse sectors such as the government, corporates, NGOs and relief agencies.

Child mortality is a critical indicator of a country's socio-economic development. Therefore, reducing IMR is an area of concern and is reflected in the government's policy and programmes. India's infant mortality rate (IMR) is given high priority in National Population Policy 2000, National Health Policy 2002 and Natural Rural Health Mission. Though the infant and child mortality rate in India has been declining over the last few years but there is a growing concern that the decline is not fast enough to achieve Millennium Development Goals.

Scaling up the impact of innovations requires that such ideas be spread around rapidly so that others could emulate them. And it also requires that larger business organizations and venture funds become aware of them and support them. Indian industry is among the largest in the world and has some of the most advanced plants and technologies available globally. The need of the hour is to identify priority areas for collective action, and build on the currently ongoing processes.

A lot can be done collectively by the government, NGOs and the private sector to improve child health parameters through CSR, with a focus on helping businesses, innovating and bringing new products and services to the marketplace.

- **RIGHT TO EDUCATION PORTAL LAUNCHED AT FICCI'S FEDERATION HOUSE**

The **Right to Education (RTE) portal,** a joint initiative of FICCI and Delhi-based think tanks - Centre for Civil Society (CCS) and the Central Square Foundation (CSF) has been launched as India's largest online resource for all information related to the RTE, which aims to:

· **Inform:** Acts as an all-inclusive port of call on RTE-related information and updates from across the country, provides a birds-eye views on the status of implementation of RTE Act in different states including the 25 per cent quota and enables individuals to browse all Supreme Court and High Court judgments on RTE.

· **Engage**: Provides a space for stakeholders to interact, discuss, create, share experiences, and dispel myths regarding the historic Right to Education Act. The portal also allows anxious parents to ask questions and get their queries redressed by in-house RTE experts.

· **Reform**: Provides access to reports and case studies on RTE related interventions across the country to encourage the sharing of best practices and increase accountability and improve governance.

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