FICCI'S VOICE

FICCI
Federation of Indian Chambers of Commerce and Industry

"SECRETARY GENERAL'S DESK"

SEPTEMBER 2016

- **FICCI COMMENTS ON WPI INFLATION NUMBERS**
  (16th August 2016)

Commenting on the inflation numbers FICCI said that the WPI has moved up in recent months particularly due to food prices across all broad segments of food products. It will be important to keep a close watch on the situation over the coming months and all steps on the supply side be taken to ensure that these inflationary tendencies get arrested fast. The government is keeping a strict vigil on the situation and we hope that food prices will ease out especially now that we have had a good monsoon. The sowing of most of the major crops is above last year's acreage and this is a positive sign for containing food inflation. With better supply and distribution management, we can rein in inflation in food segment.

- **FICCI COMMENTS ON IIP DATA**
  (12th August 2016)

Revival of investment demand remains an area of concern as reflected in the steep decline of capital goods sector in the first quarter, said FICCI. Initiatives taken by the Government to address the structural issues that impact manufacturing sector growth need to continue and stepped up to ensure that growth in manufacturing accelerate.

- **FICCI COMMENTS ON RBI'S MONETARY POLICY**

Commenting on the monetary policy FICCI said that the economic situation is improving and a further cut in policy rate at this juncture would have been well timed. Monsoon has been above average, there has been an uptick in the demand in certain segments and we are comfortably positioned with respect to the twin deficits. The government's decision to stick to the inflation target of 4 per cent is another positive step. In this context, a further push to demand through lowering of interest rate would have translated into higher investments. The industrial sector requires continuous focus and while capacity utilisation rates have improved in a few segments, higher investments call for a sustained uptick in demand.

FICCI would also like to reiterate that the process of transmission of earlier rate cuts by banks remains slow. As mentioned in the statement, we hope that the Reserve Bank of India would continue to work on improving the pass through of the previous rate cuts.

FICCI's Voice – SG's Desk is a service to all our members and also shared with key policy makers and thought leaders. The document is a compilation of major topical issues that we take up with the Central, State governments and other concerned authorities. These issues come to us directly from members, or through deliberations in conferences, seminars etc. on sectoral issues, as also through Government notifications.

**** This issue of FICCI's Voice is a compilation of issues taken up by FICCI in the month of August 2016**

- **FICCI COMMENTS ON GDP NUMBERS**

Commenting on the GDP numbers FICCI said that the first quarter numbers reported moderation. However, we expect growth to gain momentum in the second half of the current fiscal year. The good monsoon is a huge positive sign and an improvement has been noted in the kharif acreage. The agriculture sector performance is likely to pick up giving an impetus to rural consumption. Also, the seventh pay commission is expected to push demand. This uptick is likely to give a thrust to industrial growth as well. However, it will be critical to maintain this momentum going forward.

India has been consistently performing well and has been able to hold on to stability despite certain turbulent events in the recent past. The latest round of FICCI's Economic Outlook Survey puts across a growth estimate of 7.8% for 2016-17, which is marginally higher than the projection made in our last survey round.

The consistency on reforms is appreciable and the progress towards implementation of Goods and Services Tax is very encouraging. India has been able to garner a renewed interest from the foreign investors, however it remains critical that this manifests into augmenting the country's manufacturing capabilities.

- **GDP GROWTH ESTIMATED AT 7.8% IN 2016-17: FICCI'S ECONOMIC OUTLOOK SURVEY**

Latest round of FICCI's Economic Outlook Survey puts across a median GDP growth forecast of 7.8% for the current fiscal year. Further, the estimated median GVA growth for Q1 FY17 has been put at 7.6%.

The latest survey round was conducted during July/August 2016 among leading economists belonging to the industry, banking and financial services sector. The economists were asked to provide forecast for key macro-economic variables for the year 2016-17 as well as for Q1 (April-June) FY17 and Q2 (July-September) FY17. There has been a marginal improvement in the growth estimate for 2016-17 vis-à-vis the previous round and this comes at the back of better performance of the agriculture and industry sector. The monsoon season has been good this year which is expected to support agricultural production.

According to latest data, kharif crop sowing stood at 992.8 lakh hectares as on August 19, 2016 as compared to 938.6 lakh hectares in the same period previous year. The area under acreage for pulses, rice, coarse cereals and oil seeds has noted an increase. In addition, reservoir levels, have also noted an improvement.

The improvement in rural demand on the back of a pickup in farm sector is likely to give an impetus to industrial growth. Industry is projected to grow by 7.3% in 2016-17, 0.2 per cent points higher than the projection as per our previous survey round.

However, the survey results indicate a marginal decline in the service sector growth this year vis-à-vis the estimated growth in the previous survey round.

The median growth forecast for IIP has been put at 3.5% for the year 2016-17, with a minimum and maximum range of 2.0% and 4.3% respectively. The median inflation forecast for 2016-17 has noted a marginal increase vis-à-vis the previous round. The estimate for wholesale price index based inflation rate is 0.2 per cent points higher and consumer price based inflation rate 0.1 per cent points higher.
The median forecast for Wholesale Price Index based inflation rate for 2016-17 has been put at 2.4%, with a minimum and maximum range of 1.5% and 2.9% respectively. The Consumer Price Index has a median forecast of 5.2% for 2016-17, with a minimum and maximum range of 4.5% and 5.8% respectively.

- **FICCI SURVEY ON INDIAN MANUFACTURING PRODUCTS UPTURN IN MANUFACTURING IN QUARTER 2**

FICCI's latest Quarterly Survey on Manufacturing indicates improved outlook for the sector in quarter 2 of 2016-17 (July-September) buoyed by improved outlook in exports. The survey had earlier indicated a slowdown for the first quarter of 2016-17, which seems to be waning. The proportion of respondents expecting higher growth during the July – September quarter has risen to 55% as against 53% for April – June quarter 2016-17, although, it remains much below 60% per cent for January – March quarter of the previous fiscal. The slight improvement in the outlook for manufacturing production in second quarter of the current financial year is attributable to various factors including somewhat better outlook for exports compared to previous quarters, and better outlook on domestic demand front too, noted FICCI Survey.

The survey that gauges the expectations of manufacturers for Q-2 (July-September 2016-17) for 13 major sectors namely auto, capital goods, cement and ceramics, chemicals, electronics & electricals, food products, leather and footwear, machine tools, metal and metal products, metal forging, paper products, textiles and technical textiles and textiles machinery, has shown slight improvement in manufacturing sector over the last few quarters due to number of initiatives taken by the Government in the last few months. Responses have been drawn from 308 manufacturing units from both large and SME segments with a combined annual turnover of over ₹4 lac crore.

- **FICCI COMMENTS ON THE PASSAGE OF GST BILL IN THE LOK SABHA**

The approval of the Constitutional Amendment Bill in the Lok Sabha marks crossing of another milestone in the journey towards introduction of a Goods and Services Tax (GST) regime in the country. Industry eagerly looks forward to the implementation of this uniform and simplified tax regime. It is expected that GST will lead to easy tax compliance and improve India's competitiveness in the global arena, said FICCI.

Implementation of GST will be a big incentive for bringing new investments into India and eventually will foster the growth of the Indian economy. FICCI would be privileged to work with and support the Central and State Governments in enabling a timely and hassle-free roll out of GST in India.

- **FICCI SUBMITS RECOMMENDATIONS ON GST TO EMPOWERED COMMITTEE OF STATE FINANCE MINISTERS**

A FICCI delegation led by Mr. Harsh Mariwala, Past President, FICCI and Chairman of the FICCI's Task Force on GST, met the Empowered Committee of State Finance Ministers to discuss GST related matters. The delegation included Mr. S. Madhavan, Co-Chair of the FICCI's Task Force on GST and Mr. Rajeev Dimri, Co-Chair of the FICCI's Taxation Committee. Some of the important submissions made by FICCI before the Committee are summarised as follows:

1) Approach to Classification of Goods for Applying Rates of GST
2) Continuation of Certain Existing Exemptions
3) Implementation Schedule
4) Administration of GST
5) Non-Adversarial Tax Regime
6) Centralized Registration for Nationwide Service Providers
7) Intra entity transfer of services
8) Doing away with requirement of way bills/documents for movement of goods
9) Valuation principles should not go beyond transaction value
10) Mismatch of Input Tax Credit

- **FICCI SUBMITS FEEDBACK ON THE MODEL GST LAW TO THE GOVERNMENT**

A FICCI delegation led by Mr. Y K Modi, Past President, FICCI met the Revenue Secretary and other officers engaged in policy making in relation to 'Goods and Services Tax' in an 'Interactive Session' held at the Ministry of Finance.

In the meeting, FICCI raised concerns of the trade and industry on the Model GST law which has been in public domain for some time now. FICCI's feedback on the model GST law has also been submitted to the Government. Some of the issues raised by FICCI before the Revenue Secretary on the provisions emanating from the Model GST Law included dual administrative control vested with both Centre and State, wide discretionary powers given to the tax authorities, provisions relating to mandatory pre-deposit for filing appeals, restrictions imposed on availment of input tax credit, potential of probable disputes due to separate valuation mechanism prescribed for related party transactions etc. FICCI requested that provisions which may lead to unwarranted disputes in future may be given a re-look before finalising the law.

- **DUTY INVERSION IMPACTS DOMESTIC MANUFACTURING: FICCI SURVEY**

According to recent 'FICCI Survey on Inverted Duty Structure in Indian Manufacturing Sector', a number of manufacturing sub-sectors continue to face inverted customs duty structure that is eroding their competitiveness against lower-duty finished product imports and discouraging domestic value addition. In its report, FICCI said that various products spread across six manufacturing sectors have reported duty inversion, i.e. the import duty applicable on the finished product is lower than the import duty on the raw material or intermediate product. These sectors include capital goods (like boilers, pressure vessels, etc.), cement, electronics and electricals, rubber products (including tyres), minerals and textiles.

The report, has been submitted to the concerned authorities, including Tariff Commission and Department of Industrial Policy and Promotion (DIPP) for necessary action, said FICCI. FICCI delegation of industry members has had several meetings with Tariff Commission and submitted detailed data required for carrying out valuation studies for different sectors.

- **NEED TO DOUBLE NUMBER OF QUALITY HEALTHCARE PROFESSIONALS**

FICCI said that there is a need to double the number of quality professionals in healthcare sector. The sector at present is being served by 3.5 million medical professionals and this number must reach to 7.4 million before 2022 to cater to the rapidly increasing population of India. It is time to leverage technology in the sector to reduce costs, optimize manpower, avoid redundant processes, enable diagnostics and maintain records. Besides, there is a need to step up research and encourage innovation and integrate it with the present healthcare delivery system. India needs a healthcare system which ensures accessibility to all. FICCI has been working steadfastly in this direction with its stakeholders in the healthcare sector and was bringing them on one platform to create a healthcare delivery model that is sustainable and inclusive.

- **NEED TO MAKE INDIAN INDUSTRY COMPETITIVE TO ACHIEVE EASE OF DOING BUSINESS AND ATTRACT INVESTMENTS**

FICCI said that with ease of doing business there was a need to bring about competitiveness in Indian industries and services sector. FICCI has been relentlessly working on various aspects of economy with different Ministries and Departments of the Government and regulatory bodies in the country such as SEBI, CCI to improve ease of doing business.

FICCI was the first to advocate the need to ensure that norms for doing business should be so designed as to enable India to be counted amongst the first 50 countries in the World Bank's Ease of Doing Business ranking.

FICCI said that with the landmark GST reform now moving ahead doing business in India would be greatly facilitated. The environment in which the business operates needs to change and GST would be playing a key role in bringing about this change.

- **FICCI WELCOMES DEPARTMENT OF PHARMACEUTICAL'S MOVE TOWARDS BROADBASED STAKEHOLDER CONSULTATIONS**

The Department of Pharmaceuticals has involved hospitals and eminent clinicians, both from the Government and private sectors in the important discussion on price control of coronary stents.

In this discussion on the subject of coronary stents' inclusion in NLEM (National List of Essential Medicine), several reputed clinicians emphasized on the fact that all Drug Eluting Stents (DES) cannot be considered the same. There is sufficient clinical evidence that generational improvements in DES through incremental innovation has resulted in improved patient outcomes in the form of reduced rate of thrombosis and restenosis reduction for instance, in addition to ease of deliverability thus improving overall safety and efficacy. The suggestion that all DES is similar puts Indian patients and medical care in significant quality disadvantage.

The reputed clinicians' experts present in the meeting have recommended to the Government to consider a DES classification norm through a matrix that involves such key performance parameters as:

a. Type of drug
b. Type of alloy
c. Strut thickness
d. Polymer profile
e. Deliverability / Trackability
f. Published safety & efficacy outcome data in publications of minimum impact factor of 2
g. Global regulatory approvals

There was consensus amongst Clinicians, Government and Industry that an appropriate Scoring Matrix, with critical patient safety and efficacy parameters, should be designed to determine DES classification. Industry has requested the Government to follow up through a multi stakeholder determination workshop, involving reputed clinicians, to design the matrix before Government activates the pricing mechanism for stents in NLEM.

FICCI, which has always maintained that all DES cannot be considered same and submitted extensive evidence of that to the NLEM Expert Committee in the past, welcomes the Department of Pharmaceutical's latest move towards a science, safety and efficacy based DES price determination process.

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