VOICE OF FICCI

SHAPING THE AGENDA

October 2020

From the Secretary General

Post-COVID, e-Commerce has emerged as the most advanced way to ensure sales. This past month, FICCI embarked on two very prestigious govt collaborations. The Chamber has partnered with the Govt of Uttar Pradesh for the state's virtual exhibition- the ODOP Mart, a government portal for promoting ODOP products from 75 districts connecting artisans and manufacturers directly to the consumers.

With digitization taking the centre stage in every sphere, the need for digitization in agriculture to make supply chain efficient, transparent, market-driven, and traceable has become more pertinent than ever before.

Digital technology will play an important role in enabling access of high-quality inputs to farmers, farmers' linkages to markets, reduction in post-harvest losses, enabling access to institutional credit, insurance, and direct benefit transfer to farmers. Keeping in view the critical transformative role of AI in Agriculture, FICCI sent in recommendations for the role and potential of AI and digital applications in Agriculture.

As the world moves to a digital work-world, Indian IT & ITeS companies can seize this moment to upscale the digital workforce, support clients in a secure and seamless basis, and shape the digital way of working with its clients. This will require suitable changes in the existing laws and certain favourable policy modifications that will go a long way in catalyzing the IT & ITeS sector in these unprecedented times.

FICCI and its members prepared a report cum recommendation paper for the IT/ITeS sector of India as an effort from all stakeholders of the ecosystem, with the hope that this report will lay the foundation of a future where India comes out as a winner in a post-COVID-19 era.

We are expecting several sectors of the economy returning to normalcy in the months ahead with the government taking proactive measures to revive demand and help severely impacted sectors due to the pandemic.

Stay safe.

Dilip Chenoy

Suggestions on export promotion and import reduction for MSMEs, including sectoral notes on AC, CCTV, Furniture & Textiles

Industry 4.0 can become one of the most important enablers for MSMEs. It can help MSMEs in time management, provide economic advantage, increase performance, and bring in sustainability. The begin sentence with Import of such items that are being manufactured in the country and have good quality, should either not be allowed or should have higher import duties. This demand gap will encourage existing companies to increase their productions & encourage more entrepreneurs to come forward to manufacture them. The government should tie-up with foreign universities to impart knowledge and provide training about latest technologies to Indian MSMEs, while the technology centres facilitate such tie-ups. Similarly, Indian premium academic institutes like IITs, IIMs, etc., should engage with MSMEs for developing their products. A mechanism needs to be developed for the same. AC, Textile, CCTV and Furniture are the sectors that could be promoted within the country by restricting imports and promoting domestic productions. Detailed analysis reports of each sector were submitted to Joint Secretary-SME, Ministry of MSME, Government of India.

*For detailed suggestions, please write to
Mr Hemant Seth at hemant.seth@ficci.com

Representation on non-listing of Axis Bank for posting grievances against them on CHAMPIONS Portal

It has been brought to our notice that MSMEs are not able to post their grievances against Axis Bank for loan under ECLGS in the CHAMPIONS Portal as the bank is not listed while other private banks like HDFC, ICICI do show in the drop down list provided on the site. It is requested to consider including Axis Bank name in the drop-down list as well. This was submitted to Joint Secretary-SME, Ministry of MSME, Govt of India.

*For detailed representation, please write to
Mr Hemant Seth at hemant.seth@ficci.com

Suggestions to improve credit access by MSMEs

Banks are charging up to 3% of the sanction limit for pre-closing credit facility. MSMEs should have the freedom to select any bank/financial institutions offering better rate of interest and credit facilities. Hence, there should not be any foreclosure charges for MSMEs. COVID-19 has significantly impacted the performance of MSMEs. Hence, the credit rating agencies should be advised to continue the ratings given to the companies in the year 2019-20 for 2020-21 also. The same should not be reassessed basis data of 2021 as it is evident that due to COVID-19 there will be an adverse impact on businesses. Besides, it is suggested that the interest subvention scheme should be extended further for at least two years till financial year 2021-22. It is also suggested that

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

interest subvention across all MSMEs should be increased to the extent of minimum 4% for at least two years. This was submitted to Ms Sneha Daniel, Assistant Consultant, EAC-PM.

*For detailed suggestions, please write to
Mr Hemant Seth at hemant.seth@ficci.com

Suggestion note on MSMEs: Cluster infrastructure bottlenecks and need gap analysis as inputs to Task Force 3 of Ministry of MSME

The funding limit from govt should be increased. There must be a correlation in size of the industries and assistance given from govt. With the increase in limits of MSMEs' categorisation, assistance under various schemes of common facilities development and infrastructure estate/cluster development also be revised. Seminars and meetings at regular interval for educating and creating awareness amongst the group/clusters should be arranged. The lead anchor could form a cluster group/agency in PPP mode to bring together business, research, government and environment so that they can work hand in hand to enhance innovativeness and competitiveness of MSMEs in the cluster with environment sustainable solution. This was submitted to Mr Piyush Srivastava, ADC, Development Commissioner Office, Ministry of MSME.

*For detailed suggestions, please write to
Mr Hemant Seth at hemant.seth@ficci.com

Suggestion note on 1) Fintech & MSME lending & 2) Post-COVID recommendation for facilitating digital on-boarding

The aversion of traditional FIs to service, apparently, risky low income but credit-devoid segments has enabled new-age digital lenders leveraging cutting-edge technology and alternative credit assessment models to quickly fill the void and reach out to a wide customer base. With technological advances and a conducive policy environment, alternative lending as a service has caught the eye of consumers and investors alike. FinTech lenders have capitalised upon the needs and pain points of the consumers across the lending value chain or uncomplicated on-boarding/ KYC processes, prompt decision making and instant disbursals in a seamless, automated and personalised experience. Digital lending has significant advantages over traditional lending, with the potential to address prevalent credit related challenges in India. OTP based e-KYC authentication process should be allowed with increased limits that can meet customer loan requirements in the post-COVID era. Loan Service Provider (LSP) Licenses and thereby, licensed access should be provided to account aggregator and GSTN should made available to qualifying FinTech entities for better and faster loan disbursal for MSMEs and retail borrowers. This was submitted to Mr Anoop Kumar, Assistant Director, CHAMPIONS Desk, Central Control Room, Ministry of MSME.

*For detailed suggestions, please write to
Mr Hemant Seth at hemant.seth@ficci.com

Setting up of FMCG cluster in North Karnataka

The new Govt of Karnataka Industry Policy 2020-25 outlines the imminent need to transform Hubbali-Dharwad in a much-needed growth impetus for North-Karnataka. On the fundamentals of Atmanirbhar Bharat, the FMCG Cluster targets creating five lakh job opportunities with 35% economic growth of the region by 2025. Hubbali-Dharwad will be the flag-bearer for the next industrial revolution in Karnataka, contributing to the India's ambition to become US$ 5 Trillion economy in a true win-win situation for society, industry, and the government. This was submitted to Minister for Industry, GoK.

*For detailed suggestions, please write to
Mr Shaju Mangalam at shaju.manalam@ficci.com

Handling of the Government e-Commerce portal, ODOP MART to FICCI UP State Council

ODOP Mart is a Government portal for ODOP products from 75 districts of Uttar Pradesh. Post-COVID e-Commerce has been the advanced way to ensure sales. The ODOP Mart connects the artisans and manufacturers directly to the consumers and this was an opportunity for FICCI to serve the industry by supporting the ODOP Mart post the ODOP Exhibition on the BIKE platform. This was submitted to Additional Chief Secretary MSME, Information and Export Promotion.

*For detailed representation, please write to
Mr Amit Gupta at amit.gupta@ficci.com

FICCI recommendations for embracing potential AI-based innovations in agriculture

Indian agriculture needs digitization to make supply chain efficient, transparent, market-driven and traceable. Digital technology can play an important role in enabling access of high-quality inputs to farmers, farmers' linkages to the market, reduction in post-harvest losses, enabling access of institutional credit, insurance and direct benefit transfer to farmers. The digitization needs building a platform to enable access to millions of farmers (85% of them being small and marginal), which can be a source of accurate and real time information that can be stored, used, shared and analyzed to the benefit of farmers. Keeping in view the critical transformative role of AI in Agriculture, FICCI's Agriculture Division has given a set of policy recommendations for the role and potential of AI and digital applications in Agriculture to Dr Ashish Kumar Bhutani, CEO(PMFBY) & Joint Secretary (Credit), Ministry of Agriculture & Farmers' Welfare, Govt of India.

*For detailed suggestions, please write to
Ms Ruchira at ruchira.saini@ficci.com

Challenges and recommendations with respect to the revised order on Public Procurement (preference to Make in India) dated 4 June 2020

FICCI enumerated a few practical challenges related to 1) Definition of 'Local Content' and the Percentage of Local Content and 2) Definition of 'sufficient local capacity and competition' that the Industry might face in the course of implementation of the revised order on Public Procurement (preference to Make in India) issued by DPIIT on 4 June 2020. FICCI proposed a few recommendations and requested DPIIT to help the industry resolve these concerns in the earliest timeframe, such that our industry members can plan the steps towards achieving the goals of the Order. This was submitted to Secretary, Department for Promotion of Industry and Internal Trade, Govt of India.

*For detailed recommendation, please write to
Mr Sumeet Gupta at Sumeet.gupta@ficci.com

Rationalization of average sales price for cement grade limestone

Through the representation, FICCI highlighted the issue of higher ASP for the cement grade limestone, on account of an anomaly against Rule 38 of Mineral Concession Rules, 2016. FICCI further shared that the average sales price calculated by IBM is decided based upon a meagre quantity (approx 6% of total production) of non-captive limestone traded, which is of a higher grade (not cement grade). It was also highlighted that more than 30% of this non-captive produce is from one particular mine where the prices are skewed upwards due to imposition of penalties by the Hon'ble Supreme Court, with prices being in the range of Rs 800-1000/ton. FICCI, thus recommended that while arriving at the ASP of Cement Grade Limestone, the weighted average prices of only Cement Grade Limestone should be considered and outliers such as Meghalaya Mine, should be excluded for the calculation purpose. Also, as per the Rule 38, the ex-mines price excluding the royalty, DMF, NMET and all other statutory charges/ penalties imposed on the mines should only be considered while arriving at the ASP. Further, ASP calculation should be transparent to the industry and available in the public domain. This was submitted to Secretary, Ministry of Mines, Govt of India.

*For detailed representation, please write to
Mr Arpan Gupta at arpan.gupta@ficci.com

Clarification on Certification under Forest Rights Act for Auctioned Mines post-expiry under Section 8A (6) of the MMDR Act

Through the representation, FICCI has requested for Clarification on Certification under Forest Rights Act for Auctioned Mines post-expiry under Section 8A (6) of the MMDR Act. It was highlighted that mining leases that were operational up to 31 March 2020 with all valid clearances, including Forest Clearance, had fulfilled all necessary pre-requisites for obtaining the clearance like payment of NPV and Afforestation Charges, providing equivalent area of non-forest land for Compensatory Afforestation (CA) and also obtaining the certification under Forest Rights Act (FRA).

The diverted land no longer has the status of Forest Land and therefore, these requirements cannot apply again in case of the same land. FICCI has, thus, requested for issuing a clarification that the process of certification under FRA need not be repeated for the mining leases which were operating with valid FCs. This clarification is essential, in order to ensure faster operationalization of such leases auctioned in March 2020, thereby enhancing mining activity, mineral production and ensuring supply of critical raw materials to downstream industries. This was submitted to Secretary, Ministry of Tribal Affairs, Government of India.

* For detailed representation, please write to
Mr Arpan Gupta at arpan.gupta@ficci.com

Facilitating production of iron ore in the state of Odisha

Through the representation, FICCI highlighted the issue of huge supply shortage of iron ore for the steel industry in Odisha, which is putting the producers in great difficulty, with many of them on the verge of shutdown. To counter the challenge, FICCI recommended that the mandate of CA Land should not be stipulated for the leases that expired on 31 March 2020, as equivalent area of non-forest land has already been transferred to the state forest department prior to granting the initial forest clearance for the projects. Moreover, FICCI further suggested that the mandate of certification under the Forest Rights Act should also be waived as the same has been done earlier and no further rights are involved as the area / mining leases been granted have been under operation for many years. This was submitted to Mr Asit Kumar Tripathi, Chief Secretary, Government of Odisha.

*For detailed representation, please write to
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Suggestions regarding ease of doing business and reducing regulatory compliances for furniture sector

Suggestions were submitted to DPIIT regarding ease of doing business and reducing regulatory compliances for the furniture sector. Inputs were given on areas including New Timber Policy, Certification, Customs Acts, Foreign Trade Policy (FTP), Legal Metrology Act, Pollution & Fire NOC , Plant Quarantine Regulations, Labour Acts (Factories Act, Contract Labour Act etc), Income Tax, GST etc. This was submitted to DPIIT.

*For detailed suggestions, please write to
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No process or formula for determining gas prices if domestic oil & gas sector must revive and fuel Atmanirbhar Bharat

Reference to the announcement of reduction of natural gas price to $1.79 per million British thermal units (mmBtu) from $2.39 per mmBtu for the six months period beginning October 1, 2020 and reduction in ceiling price for deep water and HP/HT gas to $4.06/mmBtu, while the delivered price of imported gas is way higher.

By doing this India is encouraging imports of natural gas rather than encouraging domestic production, which is against the vision of Atmanirbhar Bharat. In many other countries, domestic E&P producers are offered an incentive over and above the free market price they can get, whereas in India it is the opposite. Hence, we request for the following:

- Any and all formula/ formulae for determining gas prices should be done away with immediately. There can be neither be any floor price nor any ceiling price.
- e-Bidding process to determine the price cannot be applied unilaterally to all and it should be the discretion of the E&P player on how to determine the best free market price. This is similar to the option given to the farmers.

  This was submitted to Secretary, Ministry of Petroleum & Natural Gas & Joint Secretary, Ministry of Petroleum and Natural Gas

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Mr Vivek Pandit at vivek.pandit@ficci.com

Report on the Future of Travel & Tourism and Strategies to Revitalize the Industry- September 27, 2020

1. Trust is the new currency to restart this industry. There must be a trust among the stakeholders and the customers to follow all the guidelines and protocols. Till the time the industry can open up more concretely, the recognition of what we promise and what we can actually deliver is vital.
2. India has an edge with a strong domestic market. India has 14 trips per capita and this is the perfect opportunity for Indians to become brand ambassadors.
3. Domestic tourism has become more localized and regionalized. We need to work with the local authorities, institutions, and local government to promote local hidden gems that have otherwise been unknown.

4. Every state in India is blessed with many destinations for locals to explore. Small boutique properties can look at promoting themselves as workcations for people to continue work from home in a relaxing environment. Narratives are very important and building positive stories on how to create innovative solutions and experiences.
5. Focus on creative ideas that are the wanted factors, which will differentiate us from the rest of the competition and give us an advantage as part of the tourist offerings to customer that will give them a reason to travel to a destination.
6. A lot of our country's cuisine is still undiscovered. We need to rework the way we look at food and be proud of our cuisine. The narrative for food should involve the traveller to make it experiential and valued.
7. Lack of awareness on the infrastructure that has been built around the domestic destinations over the last three- four years. The govt needs to look at developing infrastructure where required and try to increase their spending on investments on local infrastructure as the private spending would be limited at this point.
8. The most important request to the govt is to pay the export earnings earned in the previous year to tour operators to help them tide over the next few months.
9. Odisha has the lowest number of star category hotels as compared to some of the other key tourism states in the country. This is the best time for the govt to offer incentives for investment in hotel infrastructure in the state. A project like Disneyland will attract a huge number of domestic tourists to the state.
10. The new code for hotels now is sanitization before personalization. Safety in hotel operations is the first assurance that a customer now looks for.
11. India needs to look at using technology and get public private partnerships to help boutique and heritage properties to integrate heritage and community involvement with tourism.
12. Tourists from UK, France, Germany from Russia will be the first to start travelling to India. The govt must start building a positive campaign such as an Incredible India Restart to build the confidence of people to travel to India such as providing information on India's health care benefits, SOPs, global best practices etc to showcase that India is ready to welcome tourists.

    The report was submitted to Mr Sachin Jadhav, IAS, Director Tourism, Govt of Odisha

*For detailed representation, please write to
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Disclosures under the Companies (Auditor's Report) Order, 2020 (CARO 2020)

CARO 2020 mandates reporting on any fraud by or on the company, i.e., reporting on fraud is not limited to frauds by the officers or employees of the company while reporting under this clause. This requirement is different and much wider than the one in CARO 2016 where reporting was restricted to fraud committed by or on the company by its officers or employees. It requires auditors to specifically comment on whether all whistle blower complaints received during the year by the company have been considered by the auditors.

Whistle-blowing complaints could be of any kind and not just limited to reporting of financial fraud. It could include procedural, indiscipline and immoral behaviour as well as consultation on any type of harassment reported in the organisation, which may be confidential in view of both whistle-blower and the organization and can cause negative impact on both. Often, these complaints are personal grudges against the company / individuals. These complaints are potential tools in the hands of competitors and may lead to unhealthy business practices of false allegations. Most of the companies maintain anonymity of such whistle-blowers through their internal policies and procedures which may include non-disclosure agreements. Hence, reporting all the whistle blowing complaints may lose the integrity and trust with the whistle blowers to raise their voice.

Given that the auditor would need to go through every type of operational and non-operational allegation, whether having any financial impact or not, FICCI has submitted that the definition of Whistle blower complaints may be provided where it covers complaints only where there is fraud on or by the company and involves a significant financial loss to counter party. This will help in providing the information to auditors only with respect to financial frauds and not otherwise. Also, a monetary threshold limit should be provided considering the size and scale of the company and the same could be segregated based on revenue, profit and / or net worth of the company. This will avoid unnecessary burden on companies as well as the auditors to report and consider the immaterial complaints.

This was submitted to Ms Nirmala Sitharaman, Finance Minister & Mr Piyush Goyal, Minister for Commerce & Industry.

*For detailed representation, please write to
Ms Abha Seth at abha.seth@ficci.com

Forensic Audit Disclosures under LODR Regulations

In case of initiation of forensic audit, listed entities are required to disclose the fact of initiation of forensic audit along with name of entity initiating the forensic audit and reasons for the same, if available; and final forensic audit report (other than for forensic audit initiated by regulatory/ enforcement agencies), on receipt by the listed entity, along with comments of the management, if any.

FICCI has submitted that these provisions would be very onerous for listed companies and would have far reaching consequences. The requirements of disclosure at the outset as envisaged can be highly detrimental to all the stakeholders including shareholders, management, the Board, business associates, etc. For example, if finally, the investigation concludes no wrongdoing, a premature disclosure itself will lead to significant value erosion and impact the reputation of the company, thereby resulting into undue damage to the company. It also makes manipulation possible by disgruntled stakeholders/ competitors. It has been suggested to SEBI that the scope of the term 'Forensic Audit' may be specifically defined for clarity and the requirement of disclosure at the time of initiation of forensic audit should be dispensed with. Alternatively, it has been suggested that, subject to protecting independent conduct of boards, companies may be required to share a summary of forensic audits on conclusion of the audit, only when any wrong doings are found. In other words, the company must be allowed to complete the audit and then make disclosures, if warranted. Further, such disclosure requirements should consider various aspects like confidentiality, sensitivity, intellectual property rights etc., and should not be made applicable to any internal investigations initiated by the company. This was submitted to Mr Amarjeet Singh, ED, SEBI.

*For detailed representation, please write to
Ms Abha Seth at abha.seth@ficci.com

SEBI Discussion Paper on review of LODR Regulations

FICCI has made a detailed submission on the SEBI Discussion Paper suggesting proposed amendments to the LODR Regulations with regard to disclosure of financial results to stock exchanges, advertisements of financial results in newspapers, applicability of provisions based on market cap and other disclosure requirements. This was submitted to Mr Pradeep Ramakrishnan, CGM, SEBI.

*For detailed representation, please write to
Ms Abha Seth at abha.seth@ficci.com

SEBI discussion paper on the format for Business Responsibility & Sustainability Reporting

Most of the listed companies are already following international guidelines in their current sustainability reporting regime such as Global Reporting initiative (GRI), framework prescribed by International Integrated Reporting Council (IIRC), etc. These reporting frameworks already have substantial information which are similar to BRR/BRSR reporting and most listed companies cross-reference the Integrated reporting in their BRR reports today. Hence, prescribing a wider BRSR could result in further information overlap and would confuse investors. In this context, it is also important to note that if the new BRR/BRSR framework is not in line with internationally acceptable frameworks and standards, it would result in considerable compliance burden for companies, esp. in terms of efforts, cost and time involved. Providing flexibility to companies to report in the current regime based on overarching principles may prove more effective. It is therefore suggested to make the BRSR disclosure norms principle-based rather than rule based. In case this is not deemed desirable, the business responsibility and sustainability reporting could be made mandatory post minimum two years voluntary applicability, instead of one year as suggested in the Discussion Paper (i.e., voluntary for FY 2020-21 and FY 2021-22 and mandatory from FY 2022-23). This time is essentially needed for companies to be able to stabilize their businesses. It is additionally suggested that it should only be a disclosure on the website of the listed entities to reduce the carbon footprint of printing bulky reports. A web-link of such report may be disclosed in the Annual Report.

In addition to the above, detailed recommendations have been submitted to Mr Pradeep Ramakrishnan, CGM, SEBI, on the proposals made in the discussion paper.

*For detailed representation, please write to
Ms Abha Seth at abha.seth@ficci.com

Digital India - The New Normal

COVID-19 has generated unprecedented situations which demand an urgent and quick response from the government, to maintain the competitiveness of the IT & ITeS sector in a global context. Though the Government has been quick in mobilising the business continuity plans with adequate support on various fronts, the ask from the government is on the amendment of certain laws or policy modifications that boost the IT sector in the right direction. As the world moves to a digital work-world, Indian IT & ITeS companies can seize this moment to upscale the digital workforce, support clients in a secure and seamless basis and shape the digital way of working with its clients. This will require suitable changes in the existing laws and certain favourable policy modifications, which will go a long way in catalysing the IT & ITeS sector in these unprecedented times. In the same lines, FICCI and its members have prepared a report cum recommendation paper for the IT/ITeS sector of India. This is an effort from all stakeholders of the ecosystem, and we hope that this report will lay the foundation of a future where India comes out as a winner in a post-COVID-19 era. This was submitted to Ministry of Electronics and IT.

*For detailed representation, please write to
Ms Sarika Gulyani at sarika.gulyani@ficci.com

FICCI members' comments on pricing structure for usage of Indigenous 5G Test Bed

While many businesses have been hurt by the fallout from COVID-19 pandemic, the telecom industry has helped keep the world's economic engine ticking. Telecom has long been synonymous with mobility and connectivity in India, the second most populous country in the world with 1.3 billion people. Further, the telecom industry today is entering an exciting era of innovation defined by 5G, which promise to transform connectivity as we know it, creating better, more secure, and personalised experiences for all. However, a lot must be done before the implementation and adoption of 5G ecosystem. Understanding the importance of the same, FICCI have submitted Members' Comments on pricing structure for usage of Indigenous 5G Test Bed to Department of Telecommunication for their reference and further understanding of the industry's requirement.

*For detailed representation, please write to
Ms Sarika Gulyani at sarika.gulyani@ficci.com

FICCI members suggestions on Greenfield Investments in Telecom Sector

Department of Telecommunication, Government of India was seeking industry suggestions on Potential areas for Greenfield investments. The importance of the telecom sector has been duly recognised in these testing times of COVID-19 than ever before. It has not only been categorized as an essential services sector but has also played a pivotal role in meeting the communications needs of the country. However, due to the cut-throat competition and below cost pricing, the financial health of the existing operators has been severely impacted as either they could recover costs and lose market share or attempt to protect the business but go into mounting losses. FICCI has collected suggestions from its members and submitted to the DoT for improving the financial health of the sector and further highlighting areas like 5G, Infrastructure Sharing, Right of Way, Research and development in core digital technologies, Skill development for digital enablement etc., where greenfield investment can happen.

*For detailed representation, please write to
Ms Sarika Gulyani at sarika.gulyani@ficci.com

FICCI's representation on mechanism for compensation on account of change in law for compliance with Revised Emission Standards notified by MoEF & CC in respect of competitively bid thermal generating – staff paper thereof

FICCI Power Committee made a representation on draft CERC Staff Paper on mechanism for compensation on account of change in law for compliance with Revised Emission Standards notified by MoEF & CC in respect of Competitively Bid Thermal generating stations.

Some of the key highlights of the recommendations are as follows:

1) The proposed methodology considers power plants having PPAs through competitive bidding process. However, there are projects which do not have PPAs but implementation of ECS is mandated. A

cost recovery methodology for such plants is also needed as there is considerable capacity. Further, in absence of long term PPAs going forward, the current PPAs would start completing its tenure depending upon PPA tenure. Such projects, though covered under the proposed mechanism, would certainly need clarity for open capacity in future. Despite tariff increase under the proposed mechanism, in absence of cost recovery for open capacity post PPA period financing of such projects will be a challenge. It is suggested that cost recovery possibilities and possible mechanism should also be developed.

2) Procedure and timelines for filing of application/petition for tariff determination for ECS have not been specified. In absence of clarity on timelines procedure, there would be delay in determination of additional tariff by more than a year after commissioning of ECS. It is thus suggested that a provisional tariff based on the norms proposed and finalized along with the benchmark costs approved by CEA may be notified subject to truing up post commissioning of ECS or the petition for determination of tariff may be allowed to be filed six months prior to scheduled commissioning of ECS so that the additional tariff is paid from the month in which ECS is commissioned.

3) It is submitted that considering revenue recovery for the shutdown period for FGD installation on ex post facto basis will create uncertainty over the recovery. Therefore, to remove uncertainty it may be necessary to specify that the generators would be entitled for deemed capacity charges, however, the period for which the recovery would be allowed will be decided on a case to case basis subject to prudence check by the commission.

4) The additional cost on account of emission control mechanism shall be excluded from MOD stack in line with the directives issued by MOP.

5) It has been proposed that the cost of capital would be calculated as lower of SBI MCLS + 3.5% or actual RoI of loan. The SBI MCLR + 3.5% as on date works out to 10.5%, such rate of return on equity investments is very low and does not even provide for minimum cost of equity for a no profit scenario. Thus, it is suggested that

- Instead of cost of capital, a notional Debt: Equity ratio of 70:30 should be used
- RoE should be allowed on the equity component
- RoE should be 15.5% post tax i.e., the RoE should be grossed up by the tax rate
- Debt RoI should be considered as lower of actual rate and SBI MCLR +3.5%

6) While Clause 4.8 of staff paper talks about when change in law will be applicable, staff paper is silent about the date from which invoice can be raised and amount can be realised. There shall be a provision for Interim Tariff to be charged immediately from date of operation of ECS.

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Ms Rita Roy Choudhury at rita.roychoudhury@ficci.com

FICCI's representation on draft standard bidding documents for privatization of Distribution Licensees

The following representation was submitted to Mr Vishal Kapoor, Director (Distribution), Ministry of Power, Govt of India.

1) Dilution of Government Stake:

Basic framework of privatisation proposes to ensure minimal Govt role post bid by seeking bids for 100%/74% (depending on AT&C loss levels); this would provide comfort and flexibility of independent operations to the potential bidders.

2) Transition Support:

While there is a recognition of the need for transition support from the concerned government for high loss areas, the same has not been clearly spelt out in the process and this could become a major stumbling block during implementation, as most states tend to fail in this area. The transaction for UT may still succeed as most of the UTs have no/limited losses but this should not give a false sense of comfort for such privatisation in states, where the need for aligned support at least for 4-5 years is a must.

3) Split of DISCOM into multiple license area

The focus of the bid doc is more aligned for UTs, with corporatisation and transfer scheme. In most states, DISCOMs exist. Privatisation of the same as is, is impractical as they are too large – e.g., Maharashtra DISCOM is ~ INR 70,000 Cr, UP Discoms and many others. It is suggested that separate areas must be carved out for such privatisation so that they are manageable. Guidelines to such effect should also be prepared for DISCOMs along with SBD.

4) Servicing of existing liabilities being transferred to state for providing clean balance sheet to bidders

Basic approach is to provide such areas with a clean balance sheet, free of accumulated losses and/unserviceable liabilities. While the approach is not wrong, without a financial support mechanism to fund these liabilities being retained by the state govt entity, this could be a non-starter as this would add more load to the state budget without any possible way to recover the same (For example in case of Delhi Privatisation this was nearly INR 19,000 Cr).

5) Reduction in consumer tariffs

Consumer perspective is making affordable and reasonable tariffs, the approach of allocating all existing PPAs without giving flexibility to DISCOMs to procure cheaper power may prove to be a hinderance to meet the objective. A mechanism to permit the DISCOMs to purchase power cheaper than bulk after a period of say five- seven years (lock-in period) would have been more appropriate.

6) Employee Retention

On employee retention by the SPV, there would be logic for approaching the issue somewhat differently (for states where there is significant over employment). There is merit to seek a golden handshake framework before the bid is finalised. While undertaking the transfer scheme, the proceeds from the sale can be utilised to fund such a scheme, thereby ensuring that there is benefit for the sector.

*For detailed representation, please write to
Ms Rita Roy Choudhury at rita.roychoudhury@ficci.com

Requesting intervention and resolution of billing and short-payment issues by PSPCL impacting RE projects in Punjab

In lieu of drawing attention to the following challenges being faced by the Renewable Energy industry in Punjab.

1. Short payment of April- June Invoices: PSPCL has deducted approx. 5% amount from April to June's gross monthly invoices submitted by the developers while releasing payments. It is understood that this deduction is on account of COVID-19 pandemic. Such deductions have a huge financial implication on the developer's ability to meet financial obligations towards lenders.
2. Meter reading not recorded for first week of April 2020: PSPCL has not recorded meter readings for the first week of month of April 2020 for most of the SPDs. PSPCL, during joint meter reading conducted for the month of April generation had considered 8 April 2020 as first day of the month and taken readings from 8 April to 30 April 2020 for the month instead of taking the readings from 1 April 2020. MNRE notification dated 1 April and 4 April 2020 urged states to uphold MUST RUN status of renewable energy during lockdown and had instructed that Renewable Energy should not be curtailed. This discrepancy is faced across the industry for developers in Punjab.

   We would like to reiterate that PSPCL is obliged to purchase all energy injected by the Solar Power Project operational in the state and make payment as per tariff under PPA within the due date. Further, even MNRE notifications and government orders mandate that regular payments be made to renewable energy-based generators.

   Furthermore, the cost of operation for generators during COVID pandemic has also escalated due to various safety precautions that have been taken while operating plants and inability to maintain our plants due to logistical constraints.

Therefore, considering the above, we humbly request that given the huge financial implications to the SPDs, PSPCL abide by the terms of Power Purchase Agreement. We request that:

1. PSPCL be directed to pay the invoices for April/May/June 2020 without any deductions
2. Meter reading should be corrected for the first week of April 2020 and payments be made to SPDs at the earliest.

This was submitted to the Chief Minister and Minister of Power, Punjab and Minister for Renewable Energy and Power, Govt of Punjab.

*For detailed representation, please write to
Ms Rita Roy Choudhury at rita.roychoudhury@ficci.com

Request for extension of Electricity Duty exemption on solar power for captive use

The Electricity Duty exemption to Solar projects set up for captive use was provided as per the circular dated 24/07/2019 (annexure) in Rajasthan. However, as per the circular the exemption was valid till 31 March 2020 and therefore it needs to be extended further to be in line with the prevailing solar policy of Rajasthan.

The Rajasthan Solar Policy 2019 provides provision for exemption of the Electricity Duty for rooftop and captive projects.

In our common endeavour to make the renewable energy sector sustainable in the long run, to encourage investments and to ensure a positive outlook for the sector in Rajasthan, it is requested that the Electricity Duty exemption be extended and benefits to the eligible category of consumers be provided as also mentioned in the Rajasthan Solar Policy 2019. This was submitted to Principal Secretary – Energy government of Rajasthan.

*For detailed representation, please write to
Ms Rita Roy Choudhury at rita.roychoudhury@ficci.com

Multi prolonged approach to ensure manufacturing in Indian RE sector

Indian Renewable Sector imports more than 85% of the equipment for its projects. This leads to huge outflow of money outside India. With a yearly target installation capacity of 30 GWAC of solar alone, this amounts to approximately INR 810 bn of imports annually. The ultimate objective of the Govt of India is to ensure self-reliance while also ensuring lowest tariffs for the consumers. To meet both these objectives, the manufacturing as well as generation sector must remain competitive in the long run. It is imperative that we manufacture modules/cells locally to meet this demand. To service projects of 30 GWAC, we need installed capacity of 45 GW of modules/cells which will need an investment of approximately. Rs 450 bn. This will need equity investment of approximately. Rs 150 bn. To attract this quantum of investment in the manufacturing sector, various incentive structures will need to be introduced. Each structure will have a different risk reward matrix and will attract different kind of capital. The following were submitted to Principal Advisor to Prime Minister of India. Some of the structures being discussed and implemented are:

a. Tariff – either through manufacturing linked tender or tenders having a Domestic Content Requirement such as the CPSU scheme

   The current size of the above schemes is to the tune of 25 GW. By the time these projects are commissioned, they will generate less than 4% of India's energy needs and at approximately a 25 paise differential in pricing between plain vanilla solar tariff and a manufacturing linked/ CPSU scheme tariff. This will impact the end consumer tariff by only about Rs 0.01 (1 paisa) per unit. This increase in tariff can be insignificant to the consumers, whereas this will be an extremely efficient way to create direct solar manufacturing capacities setup and propel the solar manufacturing industry in India. Further, this has no WTO complication and does not need any restrictions to be placed on imports.

   We request the ministry to urge & motivate the state Discoms to sign PSAs at these slightly higher tariffs which are much lower than new built coal-based plants or any other source as they help India's Aatmanirbhar campaign.

b. Duties – tariff barriers like BCD

   The industry is supportive of application of BCD with two requests. Firstly, BCD should be applied for a period of at least 7-10 years to provide comfort to investors in the manufacturing space. Any new manufacturing industry will take 5-7 years to find its feet and needs to be given a clear runway to success. Secondly, we request a reasonable BCD which will encourage new investment and at the same time will not make the manufacturing industry inefficient and complacent. The ultimate objective of the power sector is to serve the citizens with low cost, high quality power.

c. Direct incentives to manufacturers- like interest subvention, lower power cost, export incentives

   Input Costs

   - 5% Interest Subvention on term loan and working capital
   - Supply of power with high reliability at Average Power Procurement Cost (APPC) rates

   Financial Incentives

   - Upfront Central Financial Assistance of 30% on CAPEX

- Increase in export incentive from 2% to 8% under Remission of Duties or Taxes on Export Product (RoDTEP)

*For detailed representation, please write to
Ms Rita Roy Choudhury at rita.roychoudhury@ficci.com

Request to support the domestic manufacturing of PV Ribbon for Solar Industry by imposing custom duty on imported PV Ribbons

Solar Power is a rising industry in the country considering the huge requirements of natural resource power. One of the raw materials for producing solar modules (Chapter Heading No. 85414011) used for solar power is PV Ribbon (Chapter Heading No 74093100) which is a tinned copper ribbon installed in Photo Voltaic solar panel. For last 5/6 years, enough capacity is available in the country for manufacture of PV Ribbon to meet the requirement of solar industry. It can be further expanded as per the requirement of the industry. This was submitted to Secretary, MNRE, Secretary, Dept of Commerce and Director General, Directorate General of Foreign Trade.

Currently, the capacity of indigenous producer of PV Ribbon is idle and they are not able to utilise their present manufacturing capacity due to the following reasons:

1. The raw material required to manufacture of PV Ribbon is copper wire & tin, which are imported at 5.5% custom duty
2. Huge quantity of PV Ribbon is imported from China at NIL rate of custom duty by the solar power industry. For export of this product, the govt of China is giving various export subsidy to their exporters and for them, India is the biggest dumping ground for this product
3. PV Ribbon is produced in the country by MSME sector and there is no large player in the country for this item
4. For producing PV Ribbon in the country the required raw material is available at 5.5% of custom duty, whereas solar producers are importing PV Ribbon from China at NIL rate of duty, which completely defeats the very structure of inverted duty. The govt should impose custom duty of minimum 10% on PV Ribbon to stop the disparity.

The benefit of the duty imposition of 10% of custom duty on PV Ribbon will be as follows:

1. PV Ribbon can be produced in the country under the Make in India concept
2. Unwanted import will stop which is already on the agenda of the government
3. This will save huge foreign exchange in USD to the country. There are good chances of PV Ribbon being sent out in export market by Indian producers
4. Employment generation will increase to a large extent
5. Indian producers are already able to produce good quality product comparing to the present imports by solar manufactures from China

*For detailed representation, please write to
Ms Rita Roy Choudhury at rita.roychoudhury@ficci.com

Feedback on the areas for standardization in Transport and Logistics Services

FICCI has submitted to Mr Santhosh Dharamsoth, Scientist – C, Service Sector Department II, Department of Commerce, a representation to explore the possibility of standardization within the logistics space across the following areas/subjects:

- Public Transport services including security of passengers
- Air/railway including cargo transportation services
- Courier Services
- Services for handling & storage of goods
- Management of Cargo, Port and Container
- Green Logistics
- Intermodal Transportation Systems

*For detailed representation, please write to
Mr Manab Majumdar at manab.majumdar@ficci.com

Feedback on Logistics Account No (LAN) and Certification Programme

FICCI has submitted a representation to the Logistics Division, Department of Commerce on providing Logistics Account Number (LAN) to the logistics providers and as well as introducing Certification Programme within the logistics sector to increase the competitiveness, transparency as well as efficiency within the industry.

*For detailed representation, please write to
Mr Manab Majumdar at manab.majumdar@ficci.com

FICCI Submissions on Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020

FICCI has submitted representations to Joint Commissioner (Officer on Special Duty), International Customs Division, Central Board of Indirect Taxes and Customs, on various issues pertaining to the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020. These include the challenges faced by the companies due to the new procedures and minimum value addition criteria.

*For detailed representation, please write to
Mr Manab Majumdar at manab.majumdar@ficci.com

Feedback on Export Promotion Capital Goods (EPCG) Scheme

FICCI has submitted to Joint Director General of Foreign Trade, DGFT and ASO (IC Cell), Department of Heavy Industry, Ministry of Heavy industries & Public Enterprises, feedback from the steel industry with a request that EPCG on steel mill parts should not be removed.

*For detailed representation, please write to
Mr Manab Majumdar at manab.majumdar@ficci.com

VOICE OF FICCI

Voice of FICCI is a monthly compilation of all the representations and recommendations of the industry, which FICCI had made / taken up with the Government. The recommendations are mentioned briefly in Voice of FICCI along with the Team Leaders' name and their email ids.

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