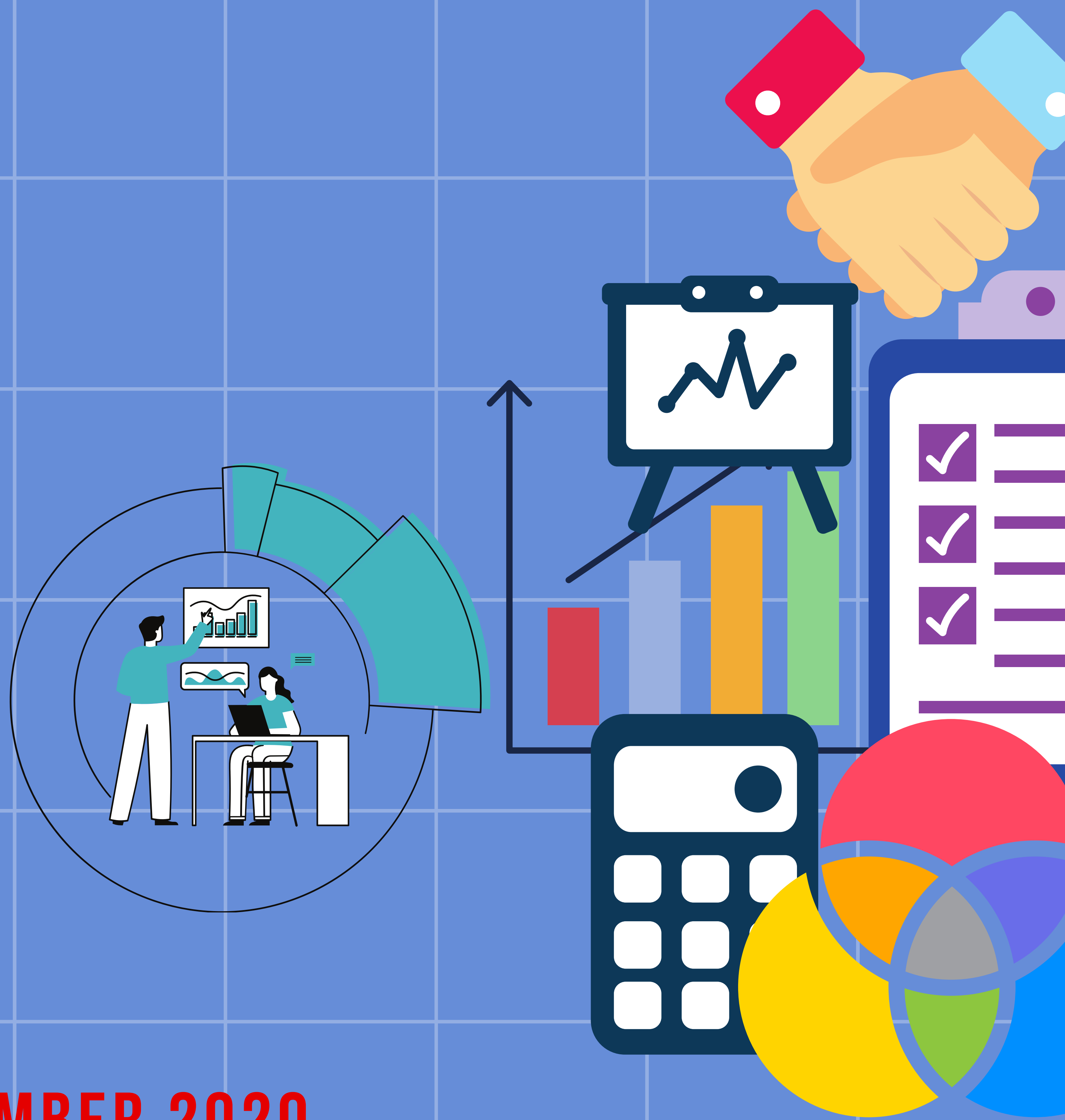
FICCI CMSME



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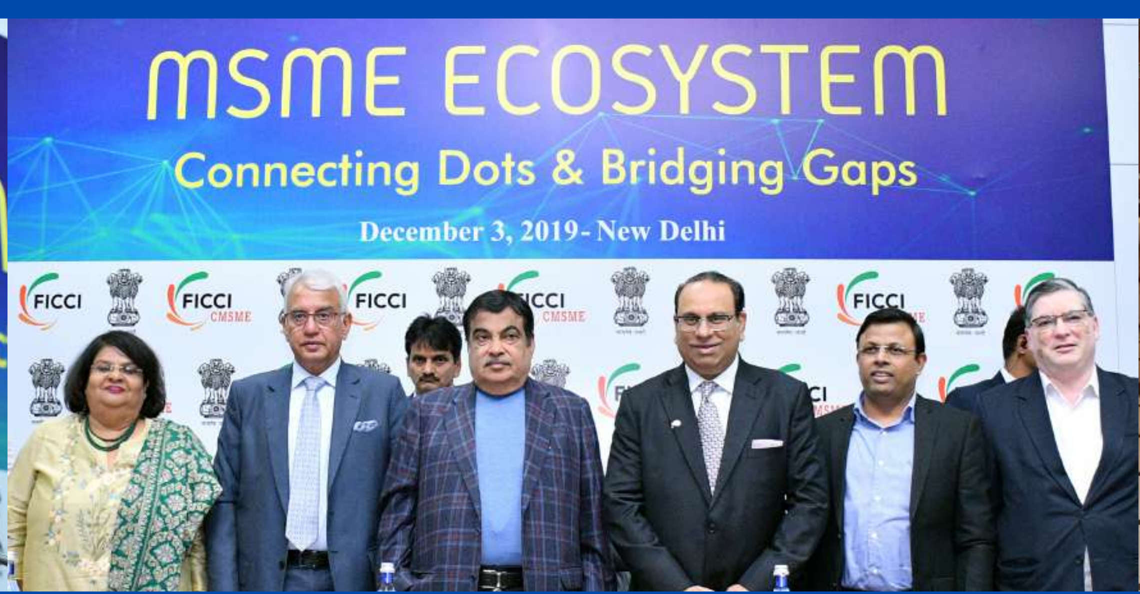
NEWSLETTER



FICCI - CONFEDERATION OF MICRO, SMALL AND MEDIUM ENTERPRISES (CMSME)

www.ficci-cmsme.in
www.ficcicmsmeconnect.in

FICCI - Confederation of Micro, Small and Medium Enterprises (CMSME)

FICCI CMSME

Empowering MSMEs

Confederation of Micro, Small and Medium Enterprises (CMSME) established in December 2013 with a vision to empower Indian MSMEs and build their competitiveness is an affiliated body under the umbrella of the Federation of Indian Chambers of Commerce and Industry (FICCI), an apex Chamber of Commerce & Industry of India. FICCI has tie ups with over 300 industry associations and chambers worldwide.

What we do……

- Provide a holistic grid to connect MSMEs with mentors, incubators & accelerators and assist them through capacity building programs & services
- Help MSMEs explore different government schemes
- Deliberate on policy issues that impact performance of the MSME sector and provide effective channels to communicate issues and concerns to government at the center and states as well as to other regulatory bodies and banks
- Provide regular interface between Industry, Government and regulators through workshops, round tables and representations and interactive sessions with to create an enabling environment for further growth of the sector

Areas of focus……

- Policy Consultation with Government
- Marketing & Quality Standards including Packaging
- Finance
- Technology & Innovation
- Legal & Taxation
- Procurement
- Environment
- Start-up & Entrepreneurship

Services & Benefits…..

Services	Benefits to Members
Procurement of Raw Material*	Decrease in Cost
Quality	Improve quality & standard through expert training programmes @ discounted rates
Intellectual Property	IP services at more than 50 per cent discounted rates as compared to those available in the market directly from the experts
Resource Conservation & Management	Enhancement in competitiveness and cost saving through resource optimization, sustainable use of the resources (raw material, energy, water etc.) and effective management of wastes generated (Energy, Water, etc Audits at competitive rates)
Advisory Services through External Experts	Insurance, Exports, Taxation, Financing, etc
Access to CMSME CONNECT Portal with B2B Facility **www.ficcicmsmeconnect.in**	Connect with other CMSME Members and Explore Business possibilities

Opportunities……

1 **Networking** ✚ Platform to interact amongst members, state & central governments ✚ Platform to meet global business and political leaders ✚ Participation in seminars, training programmes, conferences and meeting ✚ Platform to network with industry leaders	10% discount for CMSME members on participation Fee of FICCI events *(applicable only on the fee component charged by FICCI)*
2 **Business Services** ✚ Opportunity for participating in Sectoral delegations both in India and Overseas ✚ Participation in trade fairs and exhibitions ✚ Develop business through buyer-seller meets ✚ Government Notification Updates ✚ Connect with other CMSME Members and Explore Business possibilities	10% discount for CMSME members on participation Fee of FICCI events *(applicable only on the fee component charged by FICCI)*
3 **Knowledge series**	Free Access to Policy Papers, Studies & Surveys, MSME Newsletters

Membership

Membership Categories

- **Associate Membership**: For enterprises involved in profit making activities in manufacturing/services
- **Organisation Membership**: For Non-Profit Industry Associations involved in growth and development of MSME sector.

Both categories have two options: 1) Patron Membership: This is a lifetime membership of CMSME and as a privilege member, Patron Member gets an opportunity to be a part of Executive Committee of CMSME **(2) Annual Subscription**: Annual Membership remains valid for one year and follows Financial Year i.e. April – March. As the year closes on March 31, all annual memberships with CMSME subscribed anytime during the year, become due for annual renewal.

How to Apply for Membership

- **Online Application:** Link: http://ficci-cmsme.in/membership/member-login.asp Membership can be applied at the above link by selecting 'New Registration'. After a brief registration, one will receive an auto generated email in inbox (sometimes in spam folder) of registered email ID containing login-ID & Password for CMSME Membership. The above link may again be visited and now log-in can be done with the details received to registered email ID to complete the profile for Membership.

- **Offline Application:** One can always apply offline by submitting Membership Form along with other necessary documents to the Secretariat. For forms you may contact FICCI-CMSME secretariat.

Membership Fee

There are two components in the fee structure of CMSME Membership and applicable GST (18%) is levied on both components. **(1)** One-time Admission Fee: Admission Fee needs to be paid at the time of enrolment of Membership **(2)** Subscription Fee: Annual Subscription Fee is based on Annual Turnover of Organisation in the immediate completed last Financial Year. If the enrolment is done during October - March, the annual subscription fee is reduced to 50%. Patron Membership Subscription Fee is not dependent on Annual Turnover.

For any query please feel free to contact:

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MSME NEWS UPDATE

1. Vehicle, MSME Loans See Robust Growth in October

Bank loans to most segments including retail and home loans continued to be tepid in October. But loans for wholesale trade, MSMEs, loan against shares and vehicle loans were outlier with higher growth than last year, according to the latest data on sectoral deployment of bank credit released by the Reserve Bank. Non-food bank credit growth decelerated to 5.6 per cent on a year-on-year (y-o-y) basis, in October 2020 from 8.3 per cent in October 2019.

Good monsoons have brightened the prospects for agriculture. Credit growth to agriculture and allied activities accelerated to 7.4 per cent in October 2020 from 7.1 per cent in October 2019. Also credit to medium industries registered a robust growth of 16.7 per cent in October 2020 (1.2 per cent a year ago). Under the Rs. 3 lakh crores ECLGS (Emergency Credit Line Guarantee Scheme) for MSMEs, banks have sanctioned Rs.2.05 lakh crores to 61 lakh borrowers up to 12 November'20, according to a report by Care Ratings. Of this Rs.1.52 lakh crores has been disbursed. The total sanctioned amount is 68% of the target, while the sanctioned amount is 51% of the target. The scope of the scheme was extended to cover the healthcare and 26 stressed sectors with credit outstanding of above Rs. 50 crores and up to Rs.500 crores as of end February'20.

Credit growth to the services sector accelerated to 9.5 per cent in October 2020 from 6.5 per cent in October 2019. Within this sector, credit to 'professional services', 'computer software' and 'trade' registered accelerated growth in October 2020 vis-à-vis the growth in the corresponding month of the previous year. Loans for wholesale trade rose 22.6 per cent compared to 4.4 per cent in the same period a year ago. But loans to industry continued to contract. It contracted by 1.7 per cent in October 2020 as compared with 3.4 per cent growth in October 2019 mainly on the back of contraction in credit to large industries by 2.9 per cent in October 2020 (4.2 per cent growth a year ago).

Retail loans also decelerated to 9.3 per cent in October 2020 as compared with 17.2 per cent growth in October 2019. Home loan growth fell to 8.2 per cent compared to a growth of 19.2 per cent in October 2019. Within this sector, vehicle loans continued to perform well, registering accelerated growth of 8.4 per cent in October 2020 vis-a-vis a growth of 5.0 per cent in October 2019 and loan against shares and securities rose 23.5 per cent compared to a contraction of 1.2 per cent in October 20.

The Economic Times, December 01, 2020

2. One-time debt recast: SIDBI launches portal to help MSMEs

Small Industries Development Bank of India (SIDBI) said it has launched a web portal to help micro, small and medium enterprises (MSMEs) take benefit of the Reserve Bank of India's onetime debt restructuring. In August, RBI had announced one-time restructuring for personal and corporate borrowers affected by COVID-19-related stress.

With the help of this Do-It-Yourself (DIY) asset restructuring web module, MSMEs will be able to prepare restructuring proposals by keying in only the most essential data of their past financials, future projections and restructuring requirement, SIDBI said in a release.

The proposal prepared can be submitted online to the banks, and reports can also be generated for submission to banks through e-mail or in hard copies. "We have developed this module in collaboration

with our associate, India SME Asset Reconstruction Company (ISARC), which is an asset reconstruction company (ARC)," SIDBI Deputy Managing Director Manoj Mittal said in the release.
To provide handholding support to MSME units seeking restructuring, credit counsellors have been placed in 20 MSME cluster locations in partnership with local MSME industry associations, he said. The portal has been tested by some of the banks for use by their MSME clients.
Punjab National Bank and Indian Bank have already agreed to accept restructuring proposals generated by their MSME customers using this module, the release said. The module is being offered free of cost as part of Sidbi's developmental initiatives. A memorandum of understanding (MoU) to this effect was signed on Monday between SIDBI and Indian Bank in the presence of Indian Bank MD & CEO Padmaja Chunduru, it said.
The Economic Times, December 01, 2020

3. **Corrugation box industry faces multiple challenges**

Already reeling under losses due to the steep price hike of kraft paper, corrugation box manufacturers' woes have aggravated with the export of paper picking up. An Expert said that the production capacity of paper was estimated around 14 million tonnes (MT) nationally while the consumption of kraft paper in India is between 7-8 MT. "Even if we add the recent phenomenon of exports of about 1.5 MT, the total paper used will be barely 9 MT or just 66 per cent of the capacity."
"The price of kraft paper has already increased by 30-35 per cent and it is still increasing. Besides, the supply of kraft paper is erratic, which has caused a crippling blow to the corrugation box industry as we are unable to get corresponding conversion cost from our customers," said another expert. He further said the import and export data available with the federation over the last four years does not show any fall in import expected during the lockdown from May to July. Even the imports are set to increase this year as compared to last year, he asserted.
"The price of domestic waste has only increased by Rs 2-3 per kg and even on the imported waste front, the price has not increased till October. We are surprised to see why the price of kraft paper has increased so rapidly when factors affecting it do not portray the same." Notably, the paper mills are largely dependent upon wastepaper imported from the USA and Europe. Owing to its poor collection and increase in its import cost in the last over two months, paper mills have increased the cost of kraft paper multifold.
A majority of the 250-odd corrugation box manufacturers, who comprise micro, small and medium sector enterprises (MSME) in Himachal, are faced with an uncertain future as the government is yet to address these problems. Entrepreneurs said the volatile situation was here to stay and consumers should determine the price of boxes in light of these factors. "Though the corrugation boxes lie at the bottom of the pyramid in the supply chain, they are a vital input."
The Tribune, December 01, 2020

4. **Plastic makers seek regulatory authority to curb profiteering in petrochem industry**

Plastic manufacturers and processors, represented by more than 10 associations, have demanded the constitution of a regulatory authority to curb 'consortium, undue profiteering' in the petrochemicals industry, which has left them on the 'verge of collapse.' The industry associations have asked the government to stop imposing anti-dumping duty, mandatory BIS standards, decrease import duty on raw material and ban/restrict export of raw material to enable the industry to survive and remain competitive.

In a letter, it has been urged to the Prime Minister 'to save the plastics processing industry which is on the verge of collapse due to the dramatic increase in price of raw material by raw material manufacturers in the country.' "The petrochemical companies are taking advantage of the surge in polymer prices by restricting the supplies to domestic processing units and releasing the material after increasing the prices on regular intervals. Unfortunately, PSUs have also joined hands with private players and not serving in a fair manner. Rationale of price increase by domestic industries are not justified as compared to international prices," the letter had stated.

"Urgently constitute the Petrochemical Regulatory Authority; ensure that PSUs like IOCL, GAIL, BPCL support the domestic processing units by serving them in a fair manner and fair pricing mechanism," the letter added. It also mentions that since the domestic petrochemical producers do not enter into forward contracts like overseas producers, price play and manipulation by domestic companies have become very easy. The plastics industry in India consists of over 50,000 plastics processing units of which 90% are MSMEs. The sector directly employs more than 50 lakh people and contributes more than ₹3 lakh crore to the country's GDP.

The Hindu, December 03, 2020

5. **Create aggregation points for farm & MSME items, do minimal inspections: Piyush Goyal**

Commerce and industry minister Piyush Goyal has asked all states and Union Territories to create aggregation points for farm produce and products from micro, small and medium enterprises (MSMEs), move towards minimal inspections and truck stoppages, and establish logistics parks with truck parking and warehousing facilities. In a letter dated November 27, Goyal also asked all states and UTs to develop state logistics plans and create cells, besides identifying the top five challenges in the logistics sector.

"In the backdrop of Aatmanirbhar Bharat- building a self-reliant India and in response to supply chain disruptions during the Covid-19 pandemic, there is now increased focus on logistics and supply chain issues," Goyal said in the letter. The move is in line with the country's aim to reduce logistics cost by 5% for users over the next five years and improve India's ranking on the world Bank's Logistics Performance Index to 25-30 in the next five years from 44 in 2018. The logistics cost is pegged at about 13% of the gross domestic product (GDP).

The logistics division in the commerce department plans to set up a single window or one-stop source for all approvals and clearances for setting up and operating logistics businesses that would also cater to all grievances and dispute resolution in this regard. It is drafting the National Logistics Policy and a separate National Logistics Act to replace the existing multimodal transportation of goods law. A National Master Plan to provide multimodal connectivity across the country to reduce logistics cost and improve competitiveness of local manufacturing is also in the works.

In the letter, Goyal also asked states and UTs to ensure rst and last-mile connectivity with the National Economic Corridor by "developing a state action plan that leverages existing passenger transport infrastructure such as intra and inter-city buses and mass rapid transit system for last mile parcel distribution logistics during off-hours and off-peak hours". He also asked them to ensure easy

availability of land and facilitative environment for conversion of land use and floor space index (FSI) relaxation for warehousing, along with sharing of freight routes to minimise idling of transport units and polluting impact of logistics. As part of a state-logistics master plan, Goyal said a network of warehousing, transport and distribution assets would be identified.
The Economic Times, December 04, 2020

6. **MSMEs with PSU, govt business to revive faster**

MSME units supplying products and services to the government or public sector undertakings are likely to revive earlier than others, finds a report by Dun and Bradstreet. According to the government, central PSUs have been pro-active in procuring from the MSMEs and clearing the pending dues in the past six months. This is expected to support the revival of MSME vendors. CPSEs have procured Rs 15,630 core worth goods and services from MSMEs this fiscal.
However, the recovery time of an MSME is tied to its sector. Sectors like online gaming, telecommunications and e-education operating in the digital space are witnessing a positive impact by leveraging opportunities arising from the pandemic. On the other hand, traditional sectors like food, drugs, pharmaceuticals, ITeS, banking, retail, automotive, real estate and jewellery are witnessing moderate to high to severe impact. The recovery of these sectors will take six months to more than a year. Sectors like logistics and warehousing, metals and media and entertainment will also take up to one year to recover and return to February 2020 levels, said the report.
Deccan Chronicle, December 05, 2020

7. **Rise in raw material price hits struggling MSMEs hard**

Paralysed during the pandemic, the Micro, Small and Medium Enterprises (MSME) sector in Tamil Nadu is facing a new challenge — the rising raw material costs. Several MSME unit owners have said that those who place orders are not willing to shell out more and want the consignments at pre-pandemic rates. For instance, one of the units in Coimbatore had supplied machinery to a textile unit last year. It got a repeat order, recently, at the same price. When the MSME unit owner asked for a price revision, the textile unit was not willing to pay a higher amount. “With the steep hike in raw material prices, how will MSME units supply machinery or components at the earlier prices? This is a difficult situation,” said an expert.
“Those who get government orders take three to six months to execute them. If they are unable to honour the commitment, they face the risk of being black listed. But the units will suffer a loss if they execute the orders at the agreed price,” he noted. According to various trade associations, in the last five months, the price of stainless steel increased by 32%, to ₹200 a kg, aluminium by 26%, to ₹210 a kg, and natural rubber by 52%, to ₹156 a kg. Copper, a key component for many in the MSME sector, has touched ₹600 a kg, an increase of nearly 77%. Another expert said there was a shortage of raw material. Though the prices of certain raw materials have gone up, industries giving orders are not able to match the prices, he said. “We are forced to shrink our margins to stay afloat,” he added.
While many MSMEs argue that increasing the product price will not help, pumpset and wet grinder manufacturing industries in the Coimbatore region have already revised the product price. “We [pump manufacturers] went in for a 5% revision last month. However, to survive, pump manufacturers will have to increase the end product price by at least 10%,” said an enterprise owner said. “The price of

electrical steel, the main raw material used by pump makers, was increased by ₹12,000 a tonne on Saturday. If there are such huge spikes in raw material prices, units will slow down or even stop production," he rued.

Expert explained that companies will not be able meet their overhead costs, which will result in defaults and non-payment of benefits and salaries to employees. "Consumers will have to bear the higher price, if passed on, and that will shrink the demand further. Both situations are dangerous now," he said. He wanted the government to help by forming separate MSME clusters or a special-purpose vehicle to consolidate requirements and negotiate with raw material suppliers for better pricing. He also wanted the government to reduce import duty, and, immediately, ban the export of certain commodities, based on inland demand.

The Hindu, December 07, 2020

8. **Small businesses seek freeze in IBC action to continue**

Small businesses are seeking an extension of the protection given to them from bankruptcy proceedings for defaults during the pandemic beyond the nine-month period, which expires this month. But experts are divided over the demand, while the government weighs its options. The Centre is keen to roll out the mini bankruptcy code for small firms before fresh bankruptcy proceedings for defaults during the pandemic are allowed under the Insolvency and Bankruptcy Code (IBC). This would spare small businesses the complexities of the sophisticated regime designed for large corporations.

Experts said a holistic solution to deal with the stress in micro, small and medium enterprises was needed. "Given the sluggish demand for stressed assets in the current economic environment, it may not be wise to push more firms into bankruptcy proceedings, which could only lead to liquidation, rather than resolution," said an expert. It, therefore, makes sense to extend the suspension of new cases under IBC so that a comprehensive solution could be brought out, he added.

The need of the hour is to inject fresh energy into IBC by providing for pre-pack resolution schemes and a special framework for MSMEs with 'debtor in possession' feature, which need to be brought out without delay, added another expert. Pre-pack schemes are corporate turnaround plans struck out of court to save time. These are placed before the bankruptcy tribunal for its approval. The 'debtor in possession' feature would allow the promoter of the failing firm to remain in control which is vital for small businesses as they depend on the capabilities of the promoter and investor interest in them may be limited.

Mint, December 07, 2020

9. **MSME taxpayers may file GST return via SMS**

The MSME taxpayers will no longer require logging on to the GST portal to file their return. Instead, they can file their return through an SMS helping to reduce their cost of compliance. Ajit Kumar, chairman, Central Board of Indirect Taxes & Custom at a session, said: "MSME taxpayers, with nil liability, can file GST return by a mere SMS. This will improve the ease of doing business, particularly during the COVID-19 onslaught".

There have been demands from the taxpayers, mostly in the MSME sector, that GST be charged on receipt of payment instead of the tax liability coming to them on the date of issuance of invoice or receipt of payment whichever is earlier. This causes blockage of working capital, putting much pressure on the liquidity.

Though Kumar remained non-committal to the proposal, he said, the Customs department rolled out the nationwide faceless assessment system for shipment clearances at every port from 31st October providing maximum benefit to the industry, once again saving their costs of compliance

The Indian Express, December 08, 2020

10. Quarterly GST returns to ease compliance from January 1

The goods and services tax (GST) taxpayers with a turnover of up to Rs 5 crore will have the option to ease their compliance burden from January 1, as the facility to file GSTR-3B only on a quarterly basis kicks in. Currently, GSTR-3B is filed monthly along with payment of taxes. The Quarterly filing of Return with Monthly Payment (QRMP) scheme, which was approved by the GST Council in October, means that instead of a mandatory 16 returns that need to be filed a year (12 GSTR-3B and 4 GSTR-1), the new system would provide for 8 returns (4 GSTR-3B and 4 GSTR-1).

The scheme will cover 92% or 94 lakh GST-registered taxpayers. Currently, there are about 1.2 crore registered taxpayers, including 17 lakh composition dealers. However, an assessee opting for the scheme will need to pay tax monthly but will have the option to either discharge the actual liability via the cash ledger or through a pre-filled challan amounting to 35% of the cash paid as taxes in the previous quarter.

"This may also reduce his tribulations of late fee, as the pre-filled challan will allow taxpayers to deposit monthly 35% of the cash paid in the previous quarter in the electronic cash ledger," a source said. The sources said that the scheme was aimed at cutting down compliance cost of smaller taxpayers who are forced to engage professional help for filing returns.

Financial Express, December 08, 2020

11. Exim Bank and SIDBI to jointly to set up an investment fund for SMEs

Exim Bank and SIDBI jointly plan to set up an Alternative Investment Fund (AIF) to provide equity and loan advance to small and medium enterprises (SMEs), which could arise as a rising star in the export firmament. The AIF is being floated to offer impact to a scheme, declared in FY21 Union Budget, to be jointly anchored by the previously mentioned government-owned financial institutions to stretch out help to SMEs in areas, for example, pharmaceuticals, auto parts, and others for innovative technology upgradation, research and development, and business strategy, among others. This will help to generate employment opportunities and higher economic activity as well as boost India's exports.

The plan (Ubharte Sitaare) is focused on recognizing Indian enterprises with their potential advantages in technology, processes, or production, alongside with export potential, yet has been failing to meet expectations or unable tap their dormant potential to develop. The bank is searching for a combination of loans, grants, equity, and consultancy services to assist small and medium enterprises. David Rasquinha, Managing Director, Exim Bank said that years ago, this scheme has been successfully done in Germany under the 'Hidden Champions' program. Korea did it with reasonable success, so the bank is trying to do it under Ubharte Sitaare scheme. Exim Bank and SIDBI will quickly get it off the ground, after the registration of the fund is completed. According to the Budget, Rs.50 crores each will be contributed by both financial institutions to the scheme (fund). Further, Rs. 900 crores will be available from the bank for debt funding.

Rasquinha emphasized that the SME advertisers don't need to stress over losing control if they raise equity from the fund as both Exim Bank and SIDBI are not occupied in the business of running organizations. The institutions are willing to help and support. The bank will begin in a small manner. They need to do it as a sort of proof of idea to start with and demonstrate achievement and afterward scale it up. The bank will take a look at getting different financial investors in the fund also.

Passionate in Marketing, December 11, 2020

12. Finance Ministry clears MSME dues of Rs 21,000 crores since May

In a bid to mitigate the financial stress of micro, small and medium enterprises (MSMEs), the finance ministry said that over Rs 21,000 crore of MSME dues have been paid in past seven months by central government agencies and Central Public Sector Enterprises (CPSEs). Finance Minister Nirmala Sitharaman reviewed the situation about outstanding payments MSMEs. Top officials including Secretary in the Department of Financial Services Debasish Panda, MSME Secretary A.K. Sharma, among others, were also present.

"Since the month of May 2020, regular follow-up and concerted efforts have been made by the government, particularly by the MSME Ministry for payment of these dues. Particular focus was placed on CPSEs and central government agencies for payment of dues to MSMEs," an official statement said.

As part of the Aatmanirbhar Bharat package announced in May this year, MSME dues from central government agencies and CPSEs should have been paid in 45 days. The matter came into light after MSME minister Nitin Gadkari flagged the issue.

That apart, the government has also increased its pace of procurement from the MSMEs. It also noted that the highest level of procurement was achieved in October of over Rs 5,100 crore and payment of over Rs 4,100 crore. Going by the reports received in first ten days for November, it said, this level of performance is expected to be surpassed as procurement of about Rs 4,700 crore and payment of about Rs 4,000 crore have been reported.

The New Indian Express, December 11, 2020

13. Gadkari calls for more innovation & research

Union Minister Nitin Gadkari called for more innovation and research to identify products that can be indigenously manufactured as cost-effective import substitutes. He said the government has decided to go in for a tendering process to give government technology centres comprising tool rooms to successful private players who have an excellent track record. The Minister for Micro, Small and Medium Enterprises (MSME) and Road Transport and Highways said "we are now launching flex engines where 100 per cent ethanol or petrol can be used, highlighting its significance in lowering crude oil imports. Addressing a webinar, the minister said, "This is the time for the industry, for the government to identify the things important for the future which we are presently importing, how we can manufacture here.

The Assam Tribune, December 11, 2020

14. Economic indicators show encouraging signs of recovery post-COVID-19: PM Modi

The economic indicators have shown encouraging signs of recovery in the country post-pandemic, said Prime Minister Narendra Modi. He vowed to keep government controls to a bare minimum and encourage private capital. The government has accorded highest priority to saving lives of Indians during coronavirus pandemic, added prime minister. He further said that the way India has handled the crisis through concerted effort has surprised the world.

Modi was addressing the 93rd Annual Convention of Federation of Indian Chambers of Commerce and Industry (FICCI). Compared to February when the pandemic started, things have changed in December, he said, adding, there is a road map to deal with this now. Various measures taken by the government in the last six years has instilled confidence among global investors, he said. As a result, he said, "India has seen record Foreign Direct Investment (FDI) and Foreign Portfolio Investment inflows during the pandemic."

Modi pointed out that in the last six years, the government has encouraged stakeholders in all sectors, and this is reflected in the all-round reforms in sectors ranging from manufacturing to MSME; agriculture to infrastructure; from tech industry to taxation and from real estate to regulatory easing. Commenting on taxation reform, Modi mentioned, "India has got competitive advantage in corporate tax rate and initiated faceless assessment and faceless appeal leaving behind the scar of tax terrorism and Inspector Raj."

He sa that the 'Aatmanirbhar Bharat Abhiyan' is guided to promote efficiency in all the sectors. "The government has introduced production linked incentive (PLI) scheme to promote sunrise sectors and technology-based industries," he further mentioned.

This scheme is for those industries which are on path to make India a global champion and those who would perform would be entitled to incentive, he added. The Union Cabinet recently approved PLI scheme worth up to ₹2 lakh crore for 10 manufacturing sectors for next five years. The 10 key sectors that will get the benefit of production-linked incentive include automobiles and auto components, pharmaceuticals drugs, specialty steel, capital goods, technology products, white goods (ACs and LEDs), telecom and networking products, textiles, high efficiency solar PV modules and advanced battery cells.

Mint, December 12, 2020

15. Govt to project Purvanchal as investment destination

The Uttar Pradesh government is all set to project the Purvanchal region of the state as an investment destination to foreign companies which are planning to shift their bases from China to other destinations in the wake of the coronavirus pandemic. “Agriculturally rich, the Purvanchal region is known for its cheap labour. If we now concentrate on the skill development of this labour force then instead of choosing Vietnam and Thailand, the foreign companies will choose Purvanchal as their destination for investment,” said Additional Chief Secretary (MSME and Export Promotion) Navneet Sehgal while addressing a national webinar-cum-seminar on ‘Sustainable Development of Purvanchal’ as the lead speaker. The webinar was attended by academicians, bureaucrats, political leaders and technocrats.

“The region is rich in resources such as land and water and now we need to focus on further tapping its traditional art and craft which has been practised here since generations,” Sehgal said while stressing that the region had the potential to become an economic hot spot of not only Uttar Pradesh but the entire country. Highlighting the rich history of the region, Sehgal said that Purvanchal was very prosperous and besides agriculture, the cottage industries thrived here on the local art and craft.

“The British too had set their foot here on account of its prosperity. But gradually we lost our way and now the perception about the region is that it is not developed and most of the people migrate from here in search of greener pastures. The reason is we did not adopt the latest technologies in upgrading our products. We did not consider the development of cottage and small-scale industries as the harbinger of growth,” he said.

Further highlighting the factors essential for the growth of the region, the additional chief secretary said that the government was focusing on a few components for development. “The government is determined to bring about drastic improvement in infrastructure. Next comes connectivity and the Purvanchal Expressway and the airports coming up in Kushinagar and Kashi are an example of this. Further, there is much focus on the One District One Product (ODOP) Programme that aims at reviving the traditional art and craft of the region,” he said.

Emphasising the significance of cluster development, Sehgal said it provided both jobs and skills and volumes for manufacturing and market for the product. “If we connect the artisans in these clusters with technology, finance and market then nothing can stop this region from progressing. The large-scale and sustainable development is possible only through the promotion of local art and craft and dovetailing it with the latest technologies,” he said.

Emphasising on the achievements of the government, he said that the government was setting up seven common facility centres in Purvanchal and “now we have touched the mark of 38 percent in export in the last three years because of product improvement”. “The overall model for sustainable development of Purvanchal depends on development of local art and craft, skill training, infrastructure development and putting the ODOP programme on fast track,” he added.

Sehgal said that the government had launched the ODOP programme with the aim to identify, promote and tap the potential of the traditional products to give a push to ‘local to global’. “We are making the district action plan for each ODOP product that provides details about the product weakness and improvement needed besides any financial support. Through the district export plan, we identify the products that can be exported,” he said.

The additional chief secretary said in order to increase the production and maintain the quality of *Kala Namak* rice in Siddharthnagar, the government had entered into an agreement with the International Rice Institute for opening its centre in Siddharthnagar for hand holding the farmers. “It has to be remembered that for sustainable development, we have to tap our own resources as dependency on foreign companies is not good,” he said.

The Pioneer, December 12, 2020

16. Handicraft, GI Toys exempted from 'Quality Control Order'

Centre has exempted 'Handicraft, GI Toys' from quality control order. The development comes after the Department for Promotion of Industry and Internal Trade (DPI) released the Toys (Quality Control) Second Amendment Order, 2020. Subsequently, the order exempts goods manufactured and sold by artisans registered with "Development Commissioner' (Handicrafts), from use of 'Standard Mark under license from Bureau of Indian Standards, as per Scheme1 of Schedule-II of BIS (Conformity Assessment) Regulations, 2018".

"The 'Amendment Order 2020', also exempts products registered as 'Geographical Indications' from following 'Indian Toy Standards' and compulsory use of Standard Mark licence from Bureau as per Scheme 1 of Schedule-II of BIS(CA) Regulations, 2018," the Ministry of Commerce and Industry said in a statement.

"The Gazette notification issued by the department says that "nothing in this Order shall apply to goods or articles manufactured and sold by Registered proprietor and Authorised user of a product registered as Geographical Indication by the Registrar of Geographical Indications, Office of Controller General of Patents, Designs and Trademarks (CGPDTM)."

The DPIIT has devised a comprehensive action plan with steps being taken to boost production and sale of indigenous toys across the country. The 'Quality Control' order was issued by the Department for standardisation and quality adherence of Toys coming into effect from January 1st, 2021. "This order aims to bring forward the synergized efforts of the GoI, states and the stakeholders to promote 'Team up for toys' vision keeping quality standards of the indigenous toys as the priority."

Business Insider, December 12, 2020

17. Gadkari calls upon industry to find *Swadeshi* alternatives to imports

Asserting that India was importing "a lot of things" from China, Union Minister Nitin Gadkari urged the domestic industry to come up with *Swadeshi* alternatives to the imports from various nations without compromising their quality and cost.

Addressing the annual meeting of FICCI virtually, the MSME and Road Transport Minister highlighted the need to reduce imports and increase exports. He said this can help enhance economic growth and boost the contribution of domestic manufacturing to the GDP to up to 30%. Citing the example of magnets used in electric vehicles, he asked industry experts to study which parts are being imported by India. "There are a lot of things we are importing from China. I am not a businessman or a business expert, but I am seeing a huge potential for electric cars, e-bikes, electric autorickshaws and even electric trucks," said the Minister.

He called upon business experts to deliberate with the domestic automotive industry, especially those engaged in manufacturing of electric vehicles, to find out what products are being imported, like magnets and lithium-ion batteries. "We should find out *Swadeshi* alternatives in the country without compromising with the quality and cost," he added.

Highlighting the need for injecting liquidity into the market, he said: "I know that there are some problems. RBI has got ₹9 lakh crore deposited by the banks, getting 2% interest. That we are trying. The Prime Minister is telling them to use it for the people, finance it to the people ".

Mr. Gadkari said the government has sanctioned Flex engines which can function using 100% ethanol or petrol. He called for developing cost effective and pollution free import substitutes, saying that the country presently has a ₹8 lakh crore of crude oil import requirement. "We can develop an industry of ₹2 lakh crore in rural areas by making biofuel," he said.

The Hindu, December 12, 2020

18. FM reviews progress of various schemes; banks sanction Rs 2.05 lakh cr to MSMEs

Finance minister Nirmala Sitharaman took stock of progress made under various schemes under the three Aatmanirbhar Bharat Packages (ANBP) to help revive an economy hit hard by the outbreak of Covid-19 pandemic. Sitharaman presented the details of the Rs 20.97 lakh crore ANBP 1.0 in a series of press conferences from May 13-17. It was followed by Aatmanirbhar Bharat Package 2.0 on October 12 and the third tranche on November 12.

Sitharaman concluded a comprehensive review of ANBP with the Secretaries of various Ministries and Departments concerned over three days, the finance ministry statement said. Sharing details of the progress made by various schemes under the ANBP, the statement said, banks have sanctioned loans worth Rs 2,05,563 crore to about 81 lakh accounts under the Rs 3-lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) for the MSME sector that was impacted by disruptions caused due to the coronavirus pandemic.

While 40 lakh MSME accounts have received Rs 1,58,626 crore till December 4, Rs 3 lakh crore collateral-free guaranteed loans – budgetary provision of Rs 4,000 crore made for the Scheme in First Supplementary Demand for Grants for FY 2020-21. Announcing Aatmanirbhar Bharat Package 3.0 last month, the finance minister had said that Rs 2.05 lakh crore sanctioned and Rs 1.52 lakh crore disbursed under ECLGS 1.0.

As part of the Aatmanirbhar Bharat Abhiyan 3.0 (announced on November 12), ECLGS Scheme has been extended through ECLGS 2.0 for the 26 stress sectors and health care sector with credit outstanding of above Rs 50 crore and up to Rs 500 crore as on February 29, 2020. Under ECLGS 2.0, entities with outstanding credit above Rs 50 crore and not exceeding Rs 500 crore as on February 29, 2020, which were less than or equal to 30 days past due as on February 29, 2020, are eligible, the ministry said. The loans provided under ECLGS 2.0 will have a five-year tenor, with a 12-month moratorium on repayment of principal. The entire scheme (ECLGS 1.0 and ECLGS 2.0) valid till March 31, 2021, it said. Some of the sectors identified by the Kamath Committee for one-time debt restructuring included power, construction, real estate, textiles, pharmaceuticals, logistics, cement, auto components and hotel, restaurants and tourism.

The RBI had in August set up the committee headed by former ICICI Bank chairman K V Kamath for suggesting financial parameters to be factored in the resolution plans under the "Resolution Framework for COVID-19 related Stress" along with sector-specific benchmark ranges for such parameters. Talking about the progress of other schemes, the finance ministry said Rs 775 crore have been released to Small Industries Development Bank of India (SIDBI) under the Rs 1,500 crore 'Interest Subvention for MUDRA-Shishu Loan'. Of this, Rs 206.73 crore already disbursed to Member Lending Institutions (MLIs) as part of the first tranche for the immediate release of interest subvention benefit.

It further said that public sector banks (PSBs) have purchased bonds and commercial papers worth Rs 27,794 crore issued by 67 NBFCs under the revamped Partial Credit Guarantee Scheme (PCGS). "PCGS 2.0-Purchase of portfolio of Rs 27,794 cr already approved by banks...Rs 25,000 cr. disbursed from Additional Emergency Working Capital Funding for farmers through NABARD (as on December 4)," it said.

New front loaded refinance facility of Rs 30,000 crore sanctioned by National Bank for Agriculture and Rural Development (Nabard) during COVID-19 to Regional Rural Banks and Cooperative Banks. This is over and above Rs 90,000 crore to be provided by NABARD through the normal refinance route during this year.

"Central Board of Direct Taxes (CBDT) has issued refunds of over Rs 1,45,619 crore to more than 89.29 lakh taxpayers between 1st April 2020 and 8th December 2020. Income Tax refunds of Rs. 43,274 crore have been issued in 87,29,626 cases & corporate tax refunds of Rs. 1,02,345 crore have been issued in 1,99,554 cases," it said.

The Times of India, December 13, 2020

19. PLI scheme to provide major impetus to manufacturing sector

The Centre's production-linked incentive (PLI) scheme for key sectors has the potential to add $520 billion worth of manufacturing in the next five years, NITI Aayog CEO Amitabh Kant said. Recently, the Centre had announced the PLI scheme with a budgetary support of $26 billion. Addressing the virtual session, 'PLI for Exponential Growth of Manufacturing', organised during FICCI's 93rd annual convention, Kant said that the PLI scheme in the 10 champion sectors will support Indian manufacturers.

He emphasised that this is the time for supply chains across the world to get relocated and India must leverage the opportunity to become the most preferred destination for manufacturing. According to Kant, the PLI scheme is a game-changer for the manufacturing sector and the 10 sectors will attract investment in large scale, boost export potential and give rise to economic space which will ensure India's integration in the global value chain. "If we want size and scale of manufacturing, we should support manufacturing for the next five years so that companies become an integral part of the global value chains," Kant said. He further mentioned that the government has supported both labour intensive and cutting-edge technology areas with PLI that will help MSMEs in the value chain.

"We want India to become global champion in manufacturing in areas where we have announced PLI," Kant said. "Our 73-74 per cent exports were concentrated in items where global trade is only 30 per cent and with the PLI scheme, we are supporting areas where we can take lead in major globally traded items," he added.

The Pioneer, December 14, 2020

20. Auto industry suffered ₹2,300 cr loss per day during lockdowns: Parliamentary panel

In the wake of the COVID-19 pandemic and subsequent lockdowns, the automotive industry suffered ₹2,300 loss crore per day and an estimated job loss in the sector was about 3.45 lakh, according to a parliamentary panel report submitted to Rajya Sabha Chairman M Venkaiah Naidu. The Parliamentary Standing Committee on Commerce, chaired by Telangana Rashtra Samithi (TRS) MP Keshav Rao, has also suggested a slew of measures for attracting investment in the automotive sector in the country, including overhauling of prevalent land and labour laws.

"The committee was informed by the auto industry associations that all the major original equipment manufacturers (OEM) have cut down their production by 18-20% due to low demand and decline in sales of vehicles. As a result, the employment scenario in the automobile sector has been affected and an estimated job loss in the auto sector at 3.45 lakh," the panel said in its report. Hiring of manpower has been stopped in the auto industry sector. Besides that, 286 auto dealers have been closed. Further, production cuts in the automobile sector have a percolating negative impact on the component industry adversely affecting the Micro, Small and Medium Enterprises (MSME) engaged in the automobile spare parts manufacturing, the report states.

"As informed by the Automobile Industry Associations, the production stoppage at the automotive OEM and component supplier due to the COVID-19 pandemic and subsequent lockdowns led to a loss of approximately ₹2,300 crore per day to the automotive sector," according to the report.

The standing committee further said the actual magnitude of the impact depends on the duration of lockdown period, the intensity and extent of spread of the COVID-19 outbreak. Considering the crisis, it is predicted that the automobile industry is likely to go through at least two consecutive years of severe contraction, leading to low levels of capacity utilisation, lack of future CAPEX investment, high risk of bankruptcy and job losses across the entire automotive value chain, the committee said.

Mint, December 15, 2020

21. Pre-Budget consultations: Divestment, fiscal deficit, infra push feature in FM meeting

Finance Minister Nirmala Sitharaman held her first pre-Budget meeting with top industrialists amid expectations of the government presenting "growth-oriented Budget to boost economic activity recovering from effects of Covid." The meetings with industry chambers will be followed by two-day consultations with stakeholders of financial sector and capital markets. Aggressive disinvestment of state-owned companies, government reducing its stake in most public sector banks (PSBs) below 50 per cent, managing the fiscal deficit over a three-year period were among the suggestion to the Finance Ministry. It suggested measures to reduce tax litigation and pitched for the need to extend the Vivad se Vishwas tax dispute resolution scheme till December 31, 2021.

"It has been suggested that the Budget proposals should focus on growth, and alongside look at fiscal management from a 3-year perspective. Aggressive disinvestment and monetisation of assets can augment government revenues at a time when tax revenues have fallen sharply," said an Industry Expert. The Budget proposals should also address two critical areas of boosting private investments and providing support for employment generation. Stressing the need for financial sector reforms, Kotak said the government should bring down its stake in PSBs to below 50 per cent via the market route over the next 12 months, except for 3-4 large PSBs such as State Bank of India, Bank of Baroda and Union Bank. Industry chambers also suggested the need to step up expenditure on healthcare and infrastructure sectors significantly for a sustainable growth trajectory.

The Union Budget 2021-22, which will be presented on February 1, will provide clarity on the government's fiscal position as well as the policy approach to provide an impetus to the economy that has been in technical recession and recorded the worst contraction in April-June quarter post the economic lockdown. Contraction has since slowed down with expectations a positive growth in fourth quarter. Along with Finance Minister, Finance Secretary Ajay Bhushan Pandey, Department of Economic Affairs Secretary Tarun Bajaj, Chief Economic Advisor Krishnamurthy Subramanian and other senior officials attended the meeting via a videoconference.

Sources said there were lot of suggestions for stepping up infrastructure investment significantly as it has a massive multiplier effect. Funding for this could be facilitated through a Development Finance Institution (DFI). It was suggested that DFIs could be established on the lines of KfW Germany, Brazil Development Bank, and Korea Development Bank, and this could be achieved by infusing equity in

NABARD for financing agriculture and rural sector, SIDBI for financing MSMEs and IIFCL for financing infrastructure.

Ficci suggested the Budget must prioritise growth-oriented measures and fiscal considerations should be secondary, as the need for further fiscal stimulus remains. It suggested a scheme like MGNREGA for urban poor, higher interest subvention on housing loans, and utilising a portion of foreign exchange reserves ($15 or $20 billion) for setting up a fund for lending subsidised lending to Indian industry at around 6 per cent for new projects.

It said the government can raise revenues by pledging PSU shares to the RBI, by issuing long-term pandemic bonds and through aggressive divestment and monetisation of non-core state-owned assets. Suggesting need for convergence in GST rates, Ficci said: "… The government should consider converging the existing band of GST rates to three, in line with international standards. This will help resolve interpretation issues, reduce complexity and probability of disputes."

The Indian Express, December 15, 2020

22. Co-lending in SME sector helps banks check risk: SBI

The co-lending model is helping banks assess and mitigate risks associated with lending to small and medium enterprises (SMEs), State Bank of India (SBI) chairman Dinesh Kumar Khara said. SMEs need funding at present as they will lead the recovery post-Covid, he added, speaking at an event. Khara also observed that money from the domestic market and household savings was not sufficient to fund India's infrastructure growth and the only way forward was to open up the capital markets further to foreign capital.

"The financing of SMEs in today's context is more of a clarion call. If at all employment has to be generated in this economy, the mainstay of the post-Covid recovery is going to be SME. For that, as the largest lender, we are certainly concerned about how to ensure that the process of recovery begins and it's on the right track," Khara said. One way of doing this is the co-lending model, which helps banks get insights into customer behaviour with the help of analytics.

At the same time, weaker firms must bring in more equity in order to access bank funding. "Of course, those who are lower down the curve will have to strengthen themselves financially, more equity has to be brought in," Khara said, adding, "Going forward, all markets, whether it is NBFCs (non-banking financial companies), banking or microfinance, are very cognisant of the risk and how to manage it."

Khara said for India to kick-start sizeable infrastructure investments, the capital markets must be opened up to allow and encourage the inflow of more foreign capital. Many steps have been taken in the recent past to shore up the interest levels of foreign capital in the Indian economy. "May be the data and financial reporting, which is one of the critical components for shoring up the confidence of international investors, has improved significantly. But I think this is only the beginning," the chairman said. He added that India must do more to accelerate the pace of improvements in areas like reporting and corporate governance. Money with insurance and pension funds must also flow into infrastructure financing, he said.

Even if a development finance institution (DFI) is set up, there will be no room for it to access funds from the government or its agencies. It, too, would have to rely on international flows. "All this while, the domestic market and household savings were the major source of savings for the economy. With that kind of savings, the growth trajectory we have chalked out for ourselves may not be easy to accomplish," Khara said.

The debt capital markets have a limited contribution to growth as the pool of participants there is very small. As a result, the yield curve that India has is not a representative one, said Khara. "Until and unless we have broad participation coming in both in terms of issuance and buyers, a more sustainable yield curve becomes a challenge," he said. There was some activity soon after the Covid-19 outbreak, amid efforts by the government and the RBI to provide liquidity to all kinds of instruments. The number of issuers rose marginally as a result of those measures. Many corporates, who had never issued debt papers, did so when they saw that there was liquidity available for such papers.

"Probably with the commitment which people get from the market, we'll get to see better traction. We as a financial institution would be very happy to see a yield curve developing and also broad-based participation because we see that the opportunity is huge," Khara said.

He emphasised that SBI is in no position to freeze funding to some sectors of the economy on the sole grounds that they are ecologically unsustainable. Rather, the aim is to be carbon-neutral in a "transitioning economy", Khara said. "So, if at all we are financing like that (for water-guzzling rice cultivation in Punjab), we'll also have to finance many green projects, which we are doing. Going forward, when we have alternate means available, we can go beyond neutrality and be in a position to reduce carbon emissions," he said.

Financial Express, December 16, 2020

23. Govt plans to lease MSME technology centres to IITs, engineering colleges: Nitin Gadkari

The MSME ministry plans to lease technology centres to engineering colleges, IITs, polytechnic colleges and industry associations with a good track record to encourage research and innovation, Union Minister Nitin Gadkari said. Delivering the keynote address at an MSME programme, the minister said micro, small and medium enterprises are the backbone of the economy and there is a need to create employment using surplus resources.

"Today, there is an import of Rs 8 lakh crore crude oil in the country, instead, we can build Rs 2 lakh crore ethanol economy by tapping into domestic resources. The gap between India and Bharat is still wide but with our motto of reform, perform and transform, we can definitely overcome the challenges," he added. Observing that Rs 6,000 crore have been invested in technology centres until now, the MSME minister said: "Now we are planning to give these technology centres on a lease basis to engineering colleges, IITs, polytechnic colleges and industry associations with a good track record".

The facilities of the technology centres under the MSME Ministry allow designing and manufacture of sophisticated tools, parts, components and products in conformity with international standards. The latest hardware and software available at these centres ensure professional design and 3D solid modelling. The production facilities at the technology centres offer an array of cutting-edge production services to MSMEs.

In addition, these institutes provide technical services such as design of parts and components, materials testing, heat treatment, quality control, and technical consultancy related to the product & process improvement. The technology centres, apart from extending design, development & manufacturing support to MSMEs for complex tools, parts and components (many that serve as import

substitutes), have also supported the strategic sectors such as aerospace, defence, atomic energy etc. of the country for their R&D requirements.
Deccan Herald, December 16, 2020

24. MSMEs likely to create five crore new jobs in next five years: Gadkari

Micro, small and medium enterprises (MSMEs) are likely to create five crore new jobs in the next five years, minister for MSMEs Nitin Gadkari said. “Until now, we (MSMEs) have created 11 crore jobs and we are now planning to create five crore new jobs in the next five years,” Gadkari said at an event.
The minister said he envisions the MSME sector to contribute 40% to the country’s gross domestic product (GDP) from around 30%; at the same time, the sector’s contribution to the country’s export to go up to 60% from 48% now. Gadkari said while the Covid-19 pandemic has adversely affected the sector, government extended support to the sector with various policy changes that should enhance their risk-taking abilities, leading to increase in investment.
Gadkari, who is also the minister for road transport and highways, said the government was targeting Rs 25 lakh crore investment in the road development sector, but he did not give any timeline. He said toll income on the national highways, despite disruptions, might go up to Rs 34,000 crore in the current fiscal from Rs 24,000 crore in the last fiscal. Toll income might go up to Rs 1 lakh crore a year in five years.
Financial Express, December 16, 2020

25. Govt to encourage banks to use co-origination model of financing to address MSME needs

The government will be encouraging banks to use the co-origination model of financing to address the needs of the micro, small and medium enterprises (MSME) in the country, especially in smaller towns. "I am pushing all the banks to be ready to handle co-originating models of financing because NBFCs have their advantage with their spread in tier 2 and tier 3 cities where some of the banks are not present," finance minister Nirmala Sitharaman said.
Co-origination or co-lending model is a financial system of leveraging the comparative advantages of both the banks and non-banking finance companies (NBFCs) in a collaborative effort. RBI last month revised the co-lending scheme to provide greater operational flexibility to lenders with an aim to improve credit ow to the unserved and underserved sector of the economy. This helps ow of credit at a lower cost to a wider market. Sitharaman said the efforts to disinvest some of the big companies are going on fine. "The EOIs have come in and the next stage is going on. Within this financial year, I expect DIPAM (Department of Investment & Public Asset Management) to be able to prove that they are more actively engaging for which the cabinet has already given the approval," she said, at an event.
Expressing satisfaction over the economic revival after a four-decades low economic contraction, she said that the government is eager to engage with industry leaders to make it sustain. "I need to understand from you, the industry leaders as to what exactly you're looking at, what is the changed economy wanting? What are the kinds of things in which the government has to be and facilitate? I would like your input, I'll be very happy to receive any input for the budget preparation," the minister said.
The Economic Times, December 17, 2020

26. Mega leather cluster in Kanpur gets Centre's nod

Getting a go ahead from the Centre, Uttar Pradesh is ready to set up its first leather park as part of its mega leather cluster in Ramaipur village of Kanpur. The project is expected to bring in investments to the tune of Rs 5,850 crore and will provide employment to about 50,000 people. The proposal, which was pending with the Union commerce ministry, was recently given a green signal.

Chief Minister Yogi Adityanath is expected to lay its foundation in the coming days after which Mega Leather Cluster Development UP Ltd will develop the area. The mega leather cluster is the initiative of additional chief secretary, MSME, Navneet Sehgal. Kanpur is known for its leather industry, but it has been suffering due to lack of infrastructure development, pollution and other issues.

In 2018, several tanneries were closed ahead of the Prayagraj Kumbh, as these units were allegedly polluting the Ganga. As tanneries remained shut for around five months, the industry suffered massive losses. The leather industry has been demanding better facilities like modern sewage and effluent treatment plants. According to a government spokesperson, 235-acre land has been acquired for the project which will generate 50,000 direct and 1.5 lakh indirect employment.

More than 150 tanneries are expected to be set up in the park where products like shoes, purses and jackets will be manufactured and exported. The leather park is expected to bring in investment of about Rs 6,000 crore while the entire mega leather cluster project will attract investments of about Rs 13,000 crore. The park will provide facilities like manufacturing, exhibition areas, hotels and canteens. A treatment plant will also be set up to ensure that there is no pollution of the Ganga due to effluent. Plots ranging from 1,000 sq mt to 4,000 sq m will be available for sale.

The project, along with another leather park in Hardoi's Sandila, was first proposed in 2012. The project was supposed to be completed in four years but could not take off. Under the current government, special purpose vehicle has been set up for development of the cluster. According to information available with the NRI department, about 150 acre land has been allocated for Sandila project as well. "We will try and earmark 50% of the land in the project for small and medium units," an official said.

The Times of India, December 17, 2020

27. SIDBI's state-wise MSME programme now partners with Assam to offer benefits to MSMEs

Small Industries Development Bank of India (SIDBI) — the principal financial institution focusing on micro, small, and medium enterprises (MSMEs) in the country will be deploying a 'project management unit' (PMU) in the north-eastern state of Assam to develop the local MSME ecosystem. The decision was taken as part of a memorandum of understanding (MoU) signed between SIDBI and the Assam government. The PMU will support the state government in making necessary interventions to boost the efficacy of MSMEs in Assam.

The partnership with Assam is part of SIDBI's initiative to set-up such PMU in 11 states including Gujarat, Odisha, Maharashtra, Tamil Nadu, New Delhi, Haryana, Rajasthan, Uttar Pradesh, Uttarakhand, Andhra Pradesh, and Karnataka to strengthen MSMEs in respective states.

The PMU to be deployed in Assam will work towards key areas viz, first, designing of the scheme(s) in the areas of equity support, interest subvention, resolution of stressed MSMEs; second, study of the existing framework of schemes, interventions, projects, etc. available for benefit of MSMEs and suggesting modifications to remove bottlenecks. Third, the PMU will look at preparing a process for handholding local MSMEs for their onboarding onto digital platforms such as PSB Loans In 59Minutes, stock exchange listing, e-commerce platforms such as Government eMarketplace (GeM) and more; and fourth, facilitating awareness on activities and schemes for MSMEs by the state government under the Atmanirbhar Bharat programme.

"The State of Assam is proactively looking this sector as a solution for employment and growth," said Assam's Assam Parliamentary Affairs Minister Chandra Mohan Patowary. The MoU signed with the Assam government was the ninth such tie-up by SIDBI. The pro-MSME financial institution will also place an expert agency with the state nodal unit. Along with the MoU, SIDBI also initiated a collaboration with Assam State Rural Livelihood Mission to "serve income-generating activities at the base of the pyramid including migrants," SIDBI said in a statement.

The state-wise MSME support programme by SIDBI is aligned to the UK Sinha Committee's expectations on MSMEs for driving engagement of SIDBI with state governments to promote and develop Indian MSMEs. Meanwhile, SIDBI had earlier this month launched a Do-It-Yourself (DIY) web module for MSMEs that find it difficult to prepare their loan restructuring proposals on their own under the restructuring scheme by the Reserve Bank of India (RBI). The portal allows borrowers to key in only the most essential data of their past financials, future projections, and restructuring requirement for the proposal. MSMEs would also be able to generate reports for submission to banks.

Financial Express, December 19, 2020

28. FM Nirmala Sitharaman promises support for business sectors battered by pandemic

Finance minister Nirmala Sitharaman pledged to invest more to strengthen India's health infrastructure and support industries in the Union budget for the year starting April 1. Addressing business leaders, Sitharaman described her third budget to be presented in the long shadow of the pandemic as a 'never before' event and promised to give abundant attention to all suggestions.

Sitharaman's emphasis on higher healthcare spending and supporting the industries such as hospitality and aviation indicate the general direction of the next budget. "Investment in health is going to be absolutely critical, not just to make lives safer but also to make health and health-related expenditure more predictable for people and not to do it out of pocket," she said. She also said that while the rural economy showed resilience during the pandemic, urban India offered a lesson about where it could not take the shock. Cities witnessed a massive reverse migration following the stringent lockdown imposed in March, leading to a humanitarian crisis. "Support has to be extended to sectors that got disrupted badly and support to which are now going to be centres of newer demand and newer engines of growth. We need to fuel that engine and run that engine as fast as possible," the minister said.

The Centre has so far announced three stimulus packages amounting to Rs 24.3 lakh crore. While the manufacturing sector has recovered in the September quarter from the 39.3% contraction seen in the June quarter, trade, hotels, transport, communication and services related to broadcasting are still in the negative territory as per the Q2 GDP data released last month. India's economy slowed its pace of contraction to 7.5% in Q2. For the Centre , a major challenge is to create an adequate number of jobs amid work increasingly becoming technology-driven and automated.

Sitharaman said the way in which jobs are created will go through a massive change, with 'working from home' becoming a culture. Continued and justifiable anxiety that women's participation in the workforce is not adequate needed to be looked at, she said. "We will be a country where 60% of population is going to be under 30 years of age, which is a blessing, and we have to provide them with the right kind of skills. Vocational training has to be given with a new perspective," she said.

Economic affairs secretary Tarun Bajaj said he is hopeful of the Indian economy getting back on track soon given the signs of sustained improvement, and that in the next fiscal year, the size of the economy may cross the FY20 level by a slight margin. Bajaj said that he expects an improvement in economic activity and hopes the Indian economy to post a small, positive growth in coming time. "From May when covid had hit us to December seems like a long journey. In May, we didn't know where we were heading. The revenues were absolutely down. We didn't know how the virus will hit the country with a population of 1.3 billion people. For the third and fourth quarters, I would not like to quote anybody else but my own central bank. They have recently come out with the projection of slight positive growth both in the third and fourth quarters," he said.

Hindustan Times, December 19, 2020

29. India-Vietnam sign nine key pacts

India and Vietnam have signed agreements in key areas such as defence, scientific research, renewable energy, nuclear energy, petro-chemicals, and cancer treatment demonstrating the expanding ties and existing potential for increased cooperation between the two nations, Prime Minister Narendra Modi has said.

The two countries signed a total of nine agreements and made five announcements including implementation of the High-Speed Guard Boat Manufacturing Project for Vietnam under the $100 million Defence Line of Credit extended by India. "It is a matter of happiness that we are issuing a Joint Vision Document and a Plan of Action for our bilateral engagement from 2021 to 2023. This Joint Vision for Peace, Prosperity and People will send a strong message of our deepened ties to the world," Modi said speaking at the India-Vietnam Summit held virtually. Vietnamese Prime Minister Nguyen Xuan Phuc represented his country at the Summit.

The Joint Vision was adopted to guide the future development of India-Vietnam Comprehensive Strategic Partnership and the Plan of Action identifies concrete follow up actions, said Riva Ganguly Das, MEA Secretary (East). Both sides agreed to also seek new horizons for partnership focusing on all segments of the economy, including MSMEs and farming communities of the two countries.

Prime Minister Modi invited Vietnamese companies to invest in India and highlighted the urgent need for a long-overdue review of ASEAN-India Trade in Goods Agreement (AITIGA) as a concrete step towards revitalising economic engagement between the two countries as well as the larger ASEAN region, the Secretary said. India wants the ten-member ASEAN to provide greater concessions and market access as part of the trade pact review as the ASEAN has benefitted much more from the existing agreement.

Vietnam is an important pillar of India's Act East Policy and a prominent partner in the country's Indo-Pacific Vision, the PM said. There was also a discussion in the context of India and Vietnam concurrently serving as non-permanent members of the UN Security Council. "Both Prime Ministers agreed that India and Vietnam should work closely to actively promote reformed multilateralism to make international organisations, including the UNSC, more representative, contemporary and capable of

dealing with current challenges. Vietnam reiterated its strong support for India's permanent membership in an expanded UNSC," Das said.
Business Line, December 21, 2020

30. UP CM initiative helps micro, small units

The initiative taken by Chief Minister Yogi Adityanath to support the industries during the COVID-19 pandemic has paid rich dividends because as many as 5,12,000 micro and small units of Uttar Pradesh have availed of loans amounting to Rs 22, 800 crore to further increase their businesses. "With this money, the industries not only increased production in the coronavirus pandemic period but also made a stronghold in the market," a government spokesman said.
The MSME sector, considered to be the backbone of the country, may have faced a lot of problems during the COVID-19 period, but due to government's policy the micro and small units in the state have got a lot of relief. An official said the chief minister himself distributed the loans to the MSMEs several times through loan fairs and issued instructions to banks that businessmen should not face problems in getting loans. "As a result, the micro and small units under CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) have reached the first position in taking loans in the country," he said.
CGTMSE CEO Sandeep Verma said that under this scheme, loans were guaranteed to small-scale entrepreneurs so that entrepreneurs who did not have bank guarantees and wanted to grow their business could get loans under this scheme and increase their business further.
"Since loans are guaranteed under the CGTMSE scheme, therefore banks do not face any problem in giving loans. The Uttar Pradesh government has done fabulous work under this scheme," Verma said.
The CGTMSE scheme is being operated under the joint initiative of the Ministry of Micro and Small Industries, and SIDBI of the Central government. The CGTMSE scheme compensates the loss of loan amount received from banks by micro and small-scale industrial units working in the country.
It is worth mentioning that the top eleven states that have provided the maximum amount of loans to the industries are Uttar Pradesh, Tamil Nadu, Maharashtra, Karnataka, Kerala, West Bengal, Gujarat, Madhya Pradesh, Odisha, Andhra Pradesh and Bihar.
The Pioneer, December 21, 2020

31. Centre plans to extend suspension of fresh insolvency proceedings till March

Finance Minister Nirmala Sitharaman said the government is planning to extend the suspension of fresh insolvency proceedings for another three months, a move which will provide major relief to corporate borrowers hit by the coronavirus pandemic. Addressing at the programme, she said the government has taken several measures, including deferment of tax payment date, to help businesses and people. "Not only the compliance but even the payments for the taxation related payment which companies have to do were all postponed so that nobody is put to difficulty," Sitharaman, who also holds the corporate affairs portfolio, said. As part of the 'Aatmanirbhar Bharat' package, the government raised the minimum threshold to initiate insolvency proceedings to Rs 1 crore from Rs 1 lakh, which largely insulated micro, small and medium enterprises (MSMEs) from bankruptcy on defaulting on loans.
"Gradually even the suspension of the IBC (Insolvency and Bankruptcy Code)... further from 25th of December, I think...it can be up to March 31, 2021. "So the entire year IBC (has been) suspended, rightfully so because every industry has gone through major stress because of the pandemic. And

nobody could be drawn towards insolvency process which may have occurred during the pandemic," she said.

An ordinance was promulgated in June for suspension of fresh insolvency proceedings and the same came into effect from March 25 -- the day when the nationwide lockdown had come into effect. A bill to replace the ordinance that had amended the IBC was cleared by Parliament in September. The corporate affairs ministry, which is implementing the IBC, has suspended Sections 7, 9 and 10 to provide relief to companies reeling under the impact of the pandemic. Sections 7, 9 and 10 deal with initiation of corporate insolvency resolution process by a financial creditor, operational creditor and corporate debtor, respectively.

Deccan Herald, December 21, 2020

32. BHEL extends support to indigenous suppliers to develop self-reliance in manufacturing

State-run engineering firm BHEL said it is interested in indigenisation of more than 300 items across nine categories with an intent to getting imported items manufactured in India. BHEL has been spearheading the Make in India movement with a special focus on contributing to the AatmaNirbhar Bharat Abhiyan, a BHEL statement said.

The company has taken the lead in reaching out to local industry including MSME (Micro, Small & Medium) vendors as potential partners, it added. "BHEL is interested in indigenisation of more than 300 items across 9 categories, currently imported by our 16 manufacturing units, valued at over Rs 3,000 crore per annum, and the company is looking forward to their active participation for mutual growth," BHEL Chairman and Managing Director Nalin Shinghal said.

The company is also organising a series of interactive workshops, titled ‘BHEL Samvaad’, aimed at fostering better utilisation of assets for development of technologies and products, under the guidance of the Department of Heavy Industry (DHI). The first in the series of online workshops on collaborative manufacturing, conducted, saw a cross-section of Indian Industries, Industrial houses and MSMEs coming together to dwell upon the next steps for increased cooperation in indigenous manufacturing.

Chaired Arun Goel, Secretary Heavy Industries, the workshop was attended by more than 80 participants, comprising senior representatives of Industry Chambers, BHEL's vendors, other MSMEs, and other leading industries.

Expressing concern over the pandemic's impact on economies across the world, Goel said lockdowns across geographies have resulted in massive supply chain disruptions and has made many countries rethink on overdependence on imports and the need for being self-sufficient. The Secretary said that while BHEL has already been leading the movement for Make in India, ‘BHEL Samvaad’, is a welcome move for initiating discussions with MSMEs and the local industry with an intent to getting imported items manufactured in India. During his address he emphasized over the need of Indian vendors (public and private) to join hands to address the market with indigenous technology at competitive rates and world-class quality. The event which was telecasted live on BHEL's official Facebook page and YouTube channel had more than 1,500 participants.

Money Control, December 22, 2020

33. MSMEs seek easing of Basel norms in banking sector

Companies in the micro and small and medium enterprises sector have sought easing of banking sector norms — Basel norms in particular — to facilitate lending to units that have been affected by Covid-19. Basel norms are international banking regulations issued by the Basel Committee on Banking Supervision (BCBS) to fortify the banking system. As part of its budget recommendations to the finance ministry, one of associations has urged that offline and online sellers should be treated at par in GST to enable smaller MSMEs leverage ecommerce.

In the run up to next year's Union Budget, finance minister Nirmala Sitharaman has been holding meetings with stakeholders from various industries. "Bank(s) dedicated to MSMEs may be encouraged by giving sops to attract promoters from within and outside the country," association said in its recommendations.

The Economic Times, December 23, 2020

34. New GST rules likely to slow down businesses, say experts

The Centre's CGST (14th Amendment) Rules, 2020, notified, have raised concerns with many industrialists fearing that they will further slowdown businesses already hit by the pandemic. The frequent changes in the GST regulations have irked many, with industrialists pointing out that instead of ease of business, the taxation system was only adding to the confusion. As per one section of the amendment, businesses where the value of taxable supply in a month exceeds Rs 50 lakh, will be able to use only 99% money available in their electronic credit ledger (which works like an electronic passbook reflecting input tax credit available for each taxpayer), locking 1% money. This, industrialists say, will create problems for liquidity forcing businesses to ensure additional 1% working capital all the time. Economic analyst said the government was effectively stopping taxpayers from using their own money through this regulation. A few exemptions are granted under the rule, which includes an exemption for those who have paid their output tax through the electronic cash ledger for an amount of at least 1% of their total output tax liability. However, it still puts the taxpayer in jeopardy as ultimately the system is forcing businesses to always have an additional 1% of working capital, he added.

Further, even though the regulation is limited to business with taxable supply of at least Rs 50 lakh a month, it covers a large gamut of industries, including several small business, according to the analyst. "In many cases, the volume of turnover is high, but the margin of the business is low. This could impact even small businesses." For small businesses, there is another concern. The GST Council recently gave an option for businesses with a turnover up to Rs 5 crore to file their GST returns on a quarterly basis. This also eats into liquidity, experts said. "This has a huge impact on small scale industries. We buy materials from a trader, paying tax for the material. Until the person files the returns, we cannot claim our input tax credit. This blocks our working capital, especially in times of Covid-19," explained an expert.

Deccan Herald, December 24, 2020

35. Agro-industrial park to be set up at Singur: Mamata

Chief Minister Mamata Banerjee announced an agro-industrial park at Singur without any acquisition of land. It may be recalled that Banerjee had launched the movement against forceful acquisition of multi-crop land at Singur in Hooghly for setting up of Tata's small car factory that led to the downfall of the 34-years of Left Front rule in 2011. Giving equal importance to both agriculture and industrialisation, Banerjee said: "There is a bright prospect for an agro-industry park at Singur which is rich in cultivation of different types of crops." West Bengal Small Scale Industry Corporation is developing the park on 11-acre land off National Highway 2 adjacent to Singur Station and it is also close to the Singur Trauma Care centre set up by the Mamata Banerjee government.

Construction of the boundary wall around the park has already been initiated. There will be provisions to set up small, medium and large scale agro-industry in the park. After receiving requests from interested investors, plots of dimension ranging from 10 to 30 cottah will be allotted to them," Banerjee said, adding that the provision of allotting land can be modified if a request for major industry at the park is received. Banerjee also spoke about the farmers' agitation and stated that her government had returned their land following the Supreme Court order. She also stated that her government is still providing financial assistance and free-of-cost rice to farmers.

In connection with the Tajpur deep sea port, Banerjee said the Expression of Interest (EoI) will be floated to rope in developers from India or any other part of the globe. "The project will come up at a cost of Rs 4,200 crore that will attract investment of Rs 15,000 crore and lead to a creation of 25,000 job opportunities," she said, adding that the project will ensure economic rejuvenation in districts, including Purulia, Jhargram, Burdwan, Bankura, East and West Midnapore.

"At least 13 percent iron ore export of the country takes place from Bengal. It will also help to increase this export from the region and seafood to South-East Asian countries, including Japan," Banerjee said. She further maintained that if needed, an export centre will also be developed near the state's first deep sea port. The Chief Minister also stated that the state government is allotting 38 acre of land at Panagarh Industrial Park to Dhanuka Group as they are investing Rs 400 crore in a new project in the food processing sector. She also added that the excavation work at Deocha Pachami will start from areas where there is no settlement. She also allowed Hidco to keep the dynamic window open round-the-year for allotment of land for setting up of the IT industry at Silicon Valley in New Town.

Millennium Post, December 25, 2020

36. Loan rejig, other steps to save PSBs from shock

Loan restructuring and other measures announced by the government to help the industry hit by the pandemic may save public sector banks from ‘shock’ in the next year, a top Finance Ministry official said. Despite the pandemic, the lockdown and the consequent damage done to the economy, there are quick signs of recovery, Financial Services Secretary Debasish Panda told.

“There is a steady uptick in the credit growth. Retail, home and agriculture loans are doing well, and MSMEs again, with the intervention of the government through the ECLGS and other similar schemes, have also picked up,” he said. Mr. Panda added that with the window for restructuring now made available by the RBI through the COVID-19 resolution plan, which offers resolution for all kinds of loans, the impact may not be that severe as had been projected earlier. However, it was difficult to exactly predict the numbers, he said. “We don’t anticipate a big shock going to hit public sector banks (PSBs) next year, on account of high provision coverage ratio, steady decline in non-performing assets (NPAs), and one-time restructuring of loans, among other things,” Mr. Panda added.

The Hindu, December 25, 2020

37. Small firms go digital during pandemic: Crisil

Small firms have shown a “big digital shift" to shore up sales during the pandemic, rating agency Crisil said in a report. Among micro and small enterprises (MSEs), adoption of digital sales channels has risen sharply since the covid-19 outbreak for those with annual revenues under ₹25 crore, it said. The survey covered 566 MSEs with annual turnover of up to ₹25 crore. Of these, 45% were micro enterprises generating less than ₹5 crore in revenue, and the rest were small firms with revenue of ₹5 crore- ₹25 crore. The survey, conducted in November, sought to find out whether there was greater use of digital channels, including social media, company websites, and online aggregators. As per the survey, about 60% of the respondents who took to digital sales said it helped them weather the pandemic-induced stress, while the rest said it helped to grow sales.

Crisil said increasing digitization allowed MSEs expand to tap newer markets, besides offering improved access to credit. “About 29% of the MSEs surveyed were using digital sales channels such as online aggregators, marketplaces, social media, and mobile marketing before the pandemic struck. That number has shot up to 53% among small enterprises and 47% among micro enterprises as of November. Despite their limitations, micro enterprises are not very far from small enterprises in digital adoption. Also, many more are now saying they will take the digital route soon" it added.

In manufacturing, gems and jewellery topped the list in digital adoption, largely in sales of non-precious, stone-studded, imitation and luxury fashion, which quadrupled to 55% in November from 13% before the pandemic. It was followed by textile firms with a 38% jump in tapping digital channels, up from 20% before the pandemic.

Mint, December 25, 2020

38. Mission Rojgar: Govt Moves Towards Providing 50 L Jobs to The Youth In UP

The Uttar Pradesh government's special campaign "Mission Rojgar" that aims at providing jobs to 50 lakh youth by March 2021, has so far employed 21,75,443 youth in the state. The campaign ranges from regular appointments to outsourcing, contracting, skill training, self-employment and creation of man-days. Various state government departments, development and industrial development authorities, commissions, corporations, councils and boards, private firms and institutions providing skills training and helping in self-employment will provide these opportunities.

So far, the Micro, Small and Medium Enterprises (MSME) sector, Panchayati Raj, sports, fisheries, vocational education and skills, labour, basic education and public works department have made remarkable progress in creating employment and man-days. In order to provide employment and self-employment to more and more youths, the government will campaign and organise beneficiary-oriented programmes along with awareness programmes in the presence of public representatives at the district level. The information department will ensure wide publicity for the programme so that youth benefit from this campaign. At the local level, the MSME sector, which employs the most with low capital, minimum risk and infrastructure, will play an important role.

As more and more new units are opened in this sector, old units are increasing their production capacity through technological upgradation and enhancing the quality of their products as per the market demand. Additional Chief Secretary (MSME) Navneet Sehgal said that in the current financial year, the target is to give Rs 75,000 crore loan to 20 lakh new and old units. "So far, loans worth nearly Rs 30,000

crore have been disbursed to more than 11 lakh units. If an average of 4 to 5 people get employment in a unit, then 80 lakh to one crore people will get employment in this sector alone in this financial year."
Daily Hunt, December 26, 2020

39. MSMEs, small dealers not to be affected by 1% cash GST payment rule

Small businesses and dealers will not be impacted by the new government rule of paying at least 1 per cent of GST liability in cash as only entities with annual turnover of Rs 6 crore and above are required to follow the new rule, Finance Ministry sources said. After unearthing rampant use of fake invoices to evade goods and services tax (GST), the Central Board of Indirect Taxes and Customs (CBIC) had amended rules to make it mandatory for businesses with monthly turnover of over Rs 50 lakh to pay at least 1 per cent of their GST liability in cash.

Sources said the rule applies only to about 45,000 taxpayers out of the GST taxpayer base of 1.2 crore and genuine dealers and businesses would not be impacted. The new rule, they said, has been brought to check use of fake invoices to claim credit for tax paid on non-existent or highly inflated input cost.

The new rule restricts the use of input tax credit (ITC) for discharging GST liability to 99 per cent, effective January 1, 2021. The sources added that the rule would help to control use of fake invoices by fraudsters who avail and pass on ITC to dummy, fake and dormant entities which show high turnovers, but have no financial credibility, and flee after issuing fake invoices and misusing ITC.

They said the rule would apply only to risky or suspicious dealers who use a lot of fake credit and make no cash tax payment. Dummy companies which generate fake ITC or are used to be a layer in multi-layer fake credit flow pay no tax in cash. "This provision is a very smart rule against fraudsters and would not affect any genuine business entities or 'Ease of Doing Business' in any manner," the sources said, adding that all small businesses, including MSMEs and composition dealers, have been excluded from the rule. They emphasised that exceptions and exclusions have also been provided based on income tax track record and refund obtained in last year.

They said that with these exemptions, conditions and precise targeting, the requirement of mandatory payment of at least 1 per cent of the tax liability in cash would apply only to risky or suspicious dealers, and genuine dealers would remain excluded. The rule is applicable to registered persons whose value of taxable supply, other than exempt supply and export, in a month exceeds Rs 50 lakh, or Rs 6 crore annually, they added.

The rule is not applicable in cases where the registered person deposited more than Rs 1 lakh as income tax in each of the last two years and also wherein registered person has received a refund of more than Rs 1 lakh in the preceding financial year on account of export or inverted tax structure. The rule is not applicable to government departments, PSUs and local authorities. The CBIC has booked about 12,000 cases of ITC fraud and arrested 365 persons in such cases so far. More than 165 fraudsters have been arrested in the last six weeks alone.
Business Standard, December 27, 2020

40. Taking cues from China, Indian steel prices set to rise further

Steel prices are set to go up further, despite the deep concern raised by the user industry and Nitin Gadkari, Minister for micro, small and medium enterprises and highways, who wrote a letter to Prime Minister Narendra Modi on the impact of rising steel prices on infrastructure projects. Despite subsequent hikes in the last few months, steel prices in India are at 5 per cent to the landed cost of imports. Incidentally, hot rolled coil prices have increased 46 per cent to Rs 52,000 per tonne in November compared to Rs 37,400 per tonne in July this year. Rebar TMT, which are used in the housing and construction sectors, have touched Rs 50,000 a tonne.

The hike in Indian steel prices were due to the benchmark export prices in China inching closer to the 10 year high of $710 a tonne recently. The FOB (free on board) steel prices in China had touched a high $775 a tonne in 2011 and was even higher at $1,014 a tonne in 2008. China imports 40 per cent of its overall coal requirement from Australia. The cost of steel production in China is expected to jump sharply since it has to import coal at a higher cost from other countries.

Australia accounts for 65 per cent of the world's coal supply. The vibes between China and Australia soured after the later blamed China for spreading deadly Corona virus across the world. With China cutting its procurement from Australia, coking coal prices are expected to fall sharply. The drop in coking coal prices and firming steel prices are expected to benefit Indian steel companies.

The cost of Indian steel producers is expected to fall by about Rs 1,800 a tonne year-on-year in the second half of the current fiscal year, while the cost of coking coal is likely to drop to nearly Rs 7,300 a tonne, compared to Rs 9,100 a tonne in the same period last year. Seaborne hard coking coal prices in the current fiscal is expected to average at $113 a tonne (FoB Australia) in this fiscal against $164 a tonne logged last fiscal. Coking coal import prices fell to a 52-month low last month. It has dropped 27 per cent since early-October due to the the tussle between Australia and China and in anticipation of an oversupply in the global market.

An expert said the revival in steel demand has been surprising and the industry's ability to claw back to the pre-Covid levels of demand within 6 months of a global pandemic outbreak has been remarkable. "We are revising our next fiscal steel demand forecast to a contraction of around 12 per cent, significantly better than our initial forecast of a 23 per cent contraction made in April," he said.

Business Line, December 27, 2020

41. Gujarat announces new solar policy

The new solar policy announced by the Gujarat government offers a slew of incentives such as no ceiling on capacity to be installed and allowing consumers to lease their roofs and premises for setting up plants. In addition, residential and Micro, Small and Medium Enterprises (MSME) consumers can sell the surplus power generated after meeting their consumption needs at a tariff of ₹2.25 per unit.

"For Residential Consumers (Surya Gujarat Yojana) and MSMEs (manufacturing) for captive usage, DISCOMs will purchase surplus energy after set off against their consumption at ₹2.25 per unit for initial 5 years and thereafter at 75% of latest tariff discovered and contracted by GUVNL through competitive bidding process for non-park based solar projects in preceding 6 months which shall remain fixed for remaining life of the project," the state government said in a statement.

This comes in the backdrop of India's solar park power tariffs hitting a record low of Rs1.99 per unit at an auction conducted by Gujarat Urja Vikas Nigam Ltd and are expected to decline even further. Solar power developers have welcomed the move. "The policy is fairly progressive in terms of promoting distributed energy in terms of providing net metering, no restriction on contract demand and most importantly providing a banking facility for a fee, which is the right way to promote distributed solar," said, founder and managing director of one of India's largest rooftop solar power producers.

“Gujarat has also opened up setting up of plants by third party developers, but the cross-subsidy surcharge issue still lingers on as the policy is still not allowing the Electricity Act mandated provision of captive with 26% equity participation by users. If this one more step is taken, this will be the most progressive policy for rooftop solar," he added.

India aims to have 175 gigawatts (GW) of clean energy capacity by 2022, including 100GW from solar projects. Of this, 40 GW is to come from solar rooftop projects. However, India' solar rooftop projects haven't taken off. The government on its part is trying to promote solar rooftop, with Prime Minister Narendra Modi recently calling for each state to have at least one "solar city" whose electricity needs would be met entirely through rooftop solar power.

“In order to encourage small scale solar projects, power Distribution Companies will now purchase power from these small-scale solar projects (up to 4 MW) at 20 paise / unit tariff higher than tariff discovered through competitive bidding while DISCOMs will purchase solar power from projects above 4 MW capacity through competitive bidding process," the statement said.

This comes at a time when India's power demand has been rising. According to the union government. India's electricity demand has risen on a yearly basis, with December's daily consumption in excess of 5-10 GW when compared to last year. “Any person/developer/consumer can set up solar projects without any capacity ceiling while the existing ceiling of 50% sanctioned load/contracted demand has been removed," the statement said and added, “The provision for security deposit to be submitted by developer to DISCOMs has been reduced from ₹25 lakh/ MW to ₹5 Lakh/ MW."

An investment of ₹4.7 trillion has been made in India's renewable energy space over the past six years. That is likely to rise to ₹1 trillion annually till 2030, according to government estimates. “Gujarat model is already proving to be very important in solar power sector. Moving forward in the same direction, Gujarat Government has made an important decision to make Gujarat a hub of green energy by expanding RE (renewable energy) generation base," said chief minister Vijay Rupani in the statement.

Mint, December 29, 2020

42. Covid-19: Over 40% of borrowers availed loan moratorium benefit

Customers accounting for 40.43 per cent of outstanding loans in the financial system availed the benefit of moratorium allowed by the Reserve Bank of India (RBI) for borrowers affected by the COVID-19 pandemic as on August 31, 2020. As per “Report on Trend and Progress of Banking in India 2019-20,” most sectors reported lower outstanding loans under moratorium in August 2020 compared to April 2020.

However, Micro, Small and Medium Enterprises (MSMEs) registered a marginal increase. The number of MSMEs customers availing moratorium increased to 78 per cent in August 2020, reflecting sector's stress. The distribution of moratorium sought in MSME loans indicates that urban co-operative banks (UCBs) bore the brunt of incipient stress (with 89.60 per cent of the total outstanding within the segment opting for the moratorium), followed by PSBs (public sector banks at 75.42 per cent) and NBFCs (non-banking finance companies at 67.01 per cent), the report said.

In the case of moratorium availed for individual loans outstanding, the share of SFBs is the highest (at 69.39 per cent of the total due within the segment opting for the moratorium), followed by UCBs (57.64 per cent) and NBFCs (56.51 per cent). The report assessed that nearly two-thirds of the total customers of PSBs and half of the total customers of private sector banks (PVBs) exercised the option to defer payments in April 2020.

RBI observed that as on August 31, 2020 this reversed, with PVBs accounting for a larger customer base under moratorium than other categories of lenders, mainly due to a four-fold increase in their MSME customers availing the benefit, and with a sizeable customer base across categories (majorly individuals) opting out of moratorium in case of PSBs. According to the central bank, the commercial banking sector's financial performance was shored up in H1:2020-21 by the moratorium and the standstill in asset classification.

Business Line, December 29, 2020

43. Organic cotton, food, toys high on India-Korea trade to cut dependence on China

Korean companies are looking at India to buy organic cotton, leather goods and handcrafts while Indian companies have shown interest in Korean toys and cosmetics as the two sides look at alternatives to replace buying from China. Jeonbuk Business Centre, a B2B trade promotion agency launched early this year to promote India-Korea trade, said it is getting above 20 inquiries daily from Korean companies which want to buy industrial items and organic products from India amid the Covid-19 pandemic.

"Korea was buying organic fabric from China but now it is looking at India. Handicrafts and leather are the other categories of goods," said Seo Youngdoo, official spokesperson Jeonbuk Business Centre.

On the other hand, India companies are inquiring about cosmetics, interior items and toys from Korea as it seeks to find alternatives for China from where it imports majority of its toys.

India imported goods worth $15.65 billion in FY20 from Korea while its exports were $4.84 billion. The major items of India's exports to Korea are mineral fuels, cereals, iron and steel while imports are automobile parts, telecommunication equipment, hot rolled iron products, petroleum refined products, base lubricating oils, mechanical appliances, electrical machinery, and iron and steel products. The two countries have a Comprehensive economic partnership agreement (CEPA) which is in the process of being reviewed as part of which India plans to seek concessions for its rice, grapes, pomegranates and eggplant exports to Seoul.

"Food, cosmetics and photonics are the other areas of interest of Indian companies," Youngdoo said, adding that Korean firms have expressed interest in India's industrial parks and industrial items such as machines. "We respect Make in India and are buying materials from here," he said. On the impact of the Covid-19 pandemic on bilateral trade, he said a few sectors like education, food, automobiles and telecom are among the least impacted, but others have been hit especially sectors comprising small and medium-sized companies.

The Economic Times, December 30, 2020

Article By:

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THE GREAT PAYMENT AND TRADE CREDIT CONTAGION

Trade credit-based payment network is an integral part of payment and settlement system [PS]. Firms use a mix of currency, demand deposits and trade credit [TC] as means of payment. TC system has very high systemic relevance to PS as majority of B2B transactions are on credit. Any disruption in PS can destabilise financial system. The global financial crisis of 2008 was triggered by repayment defaults on subprime mortgages. PS was first to show signs of crisis when the Lehman Brothers failed. Demonetisation followed by GST seriously impinged the payment system esp. in the unorganised sector as circulation of informal/unaccounted business funds in financing TC is disrupted [http://bit.ly/gstrescue]. This legacy problem got exposed and amplified to a breakdown level in the wake of the Corona crisis. It is repayment that completes the recycle of loanable funds and makes the lending sustainable. Velocity and volume of credit flows are directly correlated with the speed of repayment cycle.

Critical Role of TC

Importance of TC as working capital channel and credit multiplier is systemically critical. Millions of day-to-day inter-firm credit and its repayment chains constitute the functional prime base of working capital for businesses. MSMEs are predominantly TC-dependent for working capital. RBI's corporate financial studies clearly show important role of TC in working capital financing, even in the organised sector. Atradius [Payment Practices Barometer, 2015] finds that in India 48% of respondents granted TC to their domestic clients. In China, private firms rely more on TC as banks give credit preference to state-controlled enterprises. TC accounts for almost 50% of B2B transactions in many European countries. Anecdotally, Walmart uses four times more TC than short term external financing.

Payment System Logjam

Moderate delays in payments are common and tolerable. However, firms are constrained to absorb long delays. D&B [A Payment Study, 2017] finds that in India 78% of the companies have delayed their payments and in 14% of cases delay was over 120 days. With jamming of TC and TC repayment chains, the situation is precarious now. Clustering of payment delays/backlog/defaults when reach a critical threshold, TC network can trigger PS contagion in credit chain. Infectious impact of this chain reaction is transmitted across businesses. Following the Corona crisis, the payment crisis especially in the unorganised sector is exacerbated by evaporation of willingness to pay and ability to pay. These are greatly impacted by closure of business activities during lockdown. Disruptions in credit, production and input supply chains, demand recession, liquidity-bind and payment backlog and above all deterioration in credit culture reinforce non-payment tendencies in the post-lockdown period. Sharp deterioration in informal institutional credit discipline magnifies payment crisis. Many firms use corona-crisis-related alibis like non-receipt of payment from clients, sales slump etc; and don't pay to their vendors. Heightened uncertainty about cash flows, excessive risk in the realisation of payment backlogs and growing fear of opportunistic behaviour by debtors drive firms to hold more precautionary cash balances and strong preference for cash-based transactions. This is well reflected in extraordinary surge in currency circulation during April-September 2020 despite widespread deep contraction and excessive system liquidity. During these 6 months, incremental currency issue is about 6 times higher compared to the corresponding period of 2019 and Y-O-Y increase is more than doubled. Liquidity holdback across firms, credit-bind and large payment backlog are proving fatal for many firms. TC-intensive sectors like MSMEs, wholesale and retail trades, textiles, construction; etc. are facing severe payment, credit and insolvency contagion. A good number of firms remain shut since the start of lockdown. The payment contagion experienced by a large number of firms get transmitted to other firms both in the unorganised and organised sectors as firms have cross exposure/connectivity through TC and bank credit networks. Agglomerative effects of this on macro credit aggregate, output and productivity are of systemic proportion. Official data don't fully reflect this phenomenon. The risk of chain insolvency and closure of firms are here and real. Business pessimism and economic crisis are getting amplified.

The Way Forward

Bank-centric remedial measures like moratorium on debt repayment, loan restructuring, bank capitalization, monetary easing and credit guarantee offer partial and transient solution. They lack an integrated approach as they overlook need for fixing of dysfunctional TC channel - the biggest credit intermediary network. A full body disorder cannot be cured by treating a part. Fund flows from both banks and TC channels are fungible and interlinked; hence constitute an integrated financial base of any business. Asymmetric policy approach leads to inter-sectoral imbalances, inter-se non-convergence in their working and incongruous outcome. Anecdotally, NPAs problem remains intractable as interconnected problems of delayed payment and bad debt in private credit persist. During these unprecedented TC crises triggered by trust and confidence contagions, trade/industry associations [IAs] need to assume a leadership role in devising measures for overcoming these contagions. They should push self-regulation/self-discipline, impose business sanctions against wilful defaulters, work out plans for clearances of payment backlog and engender environmental/transactional trust and confidence for free flow of TC. Besides these, increase in bank credit, TC intervention like pushing prompt payment by the Govt./corporates, refunding of GST on unrealised payment, extending GST credit and promoting receivable financing are required.

Coordination failure among the firms, IAs and lack of collective action against TC renegades encourage indiscipline and mistrust in inter-firm dealings. Payment logjam is like a highway jam caused by slow movement [late payment]/breakdown [defaults] of some vehicles [units] leading to abandoning of traffic discipline by one and all. This triggers chaos and commotion. The role of the Govt. should be like a policeman in a chaotic traffic jam. He coordinates and directs vehicles movement and within a short-time normal traffic movement is restored. Govt. may facilitate establishment of a credit directory for TC transactions and encourage an interactive networking among IAs, business chambers, firms to evolve and build-up an eco-system conducive for orderly working of credit channels. Such interaction can throw-up new solution ideas. There is no doubt that, the coordination among diverse IAs, enforcement of credit discipline across myriad of firms in terms of size, nature of business, location is a herculean task. However, this has emerged as do or die imperative. The Government may accredit select IAs which can work for self-discipline/self-regulation and prompt payment. Their trade knowledge, reputational weight and moral authority can work more efficiently than legal remedies in solving payment problems.

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Mr. B.L. Chandak has worked for 31 years in IDBI/SIDBI in various capacities. His work/ responsibilities include research, refinancing of banks and State Financial Corporations, project appraisal and sanction of credit, management of departments/branches, interaction with industry, Govt., RBI and banks. Before joining IDBI in 1983, he had served in United Bank of India as a probationary officer for two years and two years as lecturer-in-economics in degree colleges of Utkal University. His academic interest are Issues related to MSME financing, development, economic and industrial growth issues, financial system, trade credit, knowledge management, etc. A number of articles on these issues have been published in financial dailies and journals. He has completed B.A (Economics Honours) from F.M. College, Balasore, Utkal University & M.A. (Economics) from JNU, New Delhi.

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