

- **GDP GROWTH INCREASES TO 5.7% IN Q1 2014-15**

The GDP data released, which indicated a growth of 5.7% in Q1 FY15, vis-à-vis 4.6% increase in Q4 FY14 comes as a welcome breather and clearly points towards a pickup in economic activity. The overall economic sentiment has seen an improvement in the last couple of months and we are quite optimistic that this positive trend will continue through the year in view of several positive measures taken by the new government.

Growth in the three major sub segments is in line with the broad expected trend. The manufacturing growth at 3.5% in Q1 FY15 after two consecutive quarters of negative growth provides some respite. However, the growth in manufacturing sector has come at the back of a low base. Also, though a turnaround has been noted in gross fixed capital formation, the uptrend in investment cycle needs to be firmed up further. Some of the announcements made in the first 100 days by the new government are expected to facilitate both foreign and domestic investments.

- **IIP DATA**

It is encouraging to see growth of manufacturing in first quarter, highest since second quarter of 2011-12. Although the growth comes on a negative base, it seems to have bottomed out. This was also reflected in FICCI's latest survey on manufacturing. It is reassuring to see that growth is broad based as 15 out of 22 sectors have shown positive growth during June 2014. Also, an encouraging sign is double digit growth in capital goods sector for the first quarter of 2014. However, sectors like consumer goods remain a cause of concern. We are hopeful that the steps taken by the Government so far and the measures announced in the budget would help in further revival of the sector.

- **RBI POLICY**

The statement from RBI re-affirms that the economy is on the mend. The emerging green shoots need to be nurtured and we are confident that both the government and the central bank will continue to move in that direction. On the specific measures taken by the central bank, we see a cut in the SLR by 50 basis points while all other policy rates remain unchanged. The cut in SLR should help augment liquidity in the system. We hope that this move is followed by a downward movement in the cost of capital for the industrial sector.

On the inflation front, while some softening in both WPI and CPI is noted, RBI continues to remain cautious on account of risks related to the monsoon as well as global recovery and geo-political tensions. FICCI feels that steps taken by the central government to manage food inflation should be followed up with close coordination with the states to ensure that the mitigating impact of the same are seen at the earliest.

- **FICCI COMMENTS ON PRADHAN MANTRI JAN DHAN YOJANA**

FICCI welcomes the launch of the Pradhan Mantri Jan Dhan Yojana by the Hon'ble Prime Minister. This launch has brought into focus the subject of financial inclusion in a manner not conceptualized before. The positive spin-off effects of extending financial services to the masses are multifold and would clearly impact the overall development trajectory of the nation.

The key distinction from earlier designs is the introduction of a combination of savings, loans and insurance products. This would ensure that most base needs of beneficiaries are taken care of. Linking financial literacy and direct cash transfer with this program ensures demand inducement and sustainability of this mode.

- **OUTLOOK IMPROVES FOR MANUFACTURING IN Q-2 DUE TO BROAD BASED GROWTH: FICCI SURVEY**

FICCI's latest quarterly survey on manufacturing sector has projected broad-based growth in the manufacturing activity in Q-2 of 2014-15. The survey indicated that eleven out of fourteen sectors are expected to show improvement in production during the second quarter, though, some sectors may experience only a moderate improvement in growth. It is also interesting to note that this improvement looks sustainable since the proportion of respondents expecting higher production vis-à-vis last year has remained above or equal to 50% for the last four successive quarters now.

The survey gauges the expectations of manufacturers for Q-2 (July – September 2014-15) for fourteen major sectors namely textiles, capital goods, metals, chemicals, cement, electronics, automotive, leather & footwear, machine tools, food & FMCG, tyre, textiles machinery, ceramics and miscellaneous. Responses have been drawn from 392 manufacturing units from both large and SME segments with a combined annual turnover of over Rs 4 lac crore.

An upturn in demand condition is also reflected in the improved order books of the manufacturers, noted FICCI Survey. While only 36% respondents reported higher order books for April - June 2014-15 quarter in the last survey, but for this quarter 43% respondents have reported higher order books for July - September 2014-15.

- **FICCI ANNOUNCES 'ALL WOMEN TRANS HIMALAYAN CAR RALLY': NATIONAL SPORTS DAY CELEBRATIONS FLAGGED OFF ACROSS THE COUNTRY**

FICCI in association with the Ministry of Youth Affairs & Sports, All India Council of Physical Education (AICPE) and Association of Indian Universities (AIU), organized the programme to promote sports culture and to create awareness about the essence of the 'National Sports Day'. On the occasion, the launch of 'All Women FICCI Trans Himalayan Tour de Endurance Car Rally' was announced.

FICCI's vision is to facilitate and encourage development of sport in India by proactively engaging with identified stakeholders and getting them to commit resources for such development. Like last year, National Sports Day Celebrations organised by FICCI is an attempt, not only to acknowledge the role of sports in bringing pride to the nation, but also to promote broad range of sports to create awareness about the importance of sports and physical education for nation and its citizens.

- **FICCI'S SUBMISSIONS FOLLOWING JUDGMENT OF HON'BLE SUPREME COURT DECLARING THE PROCESS OF ALLOCATION OF CAPTIVE COAL BLOCKS SINCE 1993 AS ILLEGAL**

FICCI has consistently advocated the principles of transparency and constitutionality in allocation of natural resources (including coal) and making these rapid, enforceable and certain via robust processes. This latest judgment has once again brought to the fore, concerns about the country's policy regime and has the potential to disrupt restoration of investors' trust. We reasonably expect that any extreme step (such as possible en-masse cancellation of allocations) shall not compromise legitimate business and investors who participated in good faith in processes laid out over an extended period by the governments of the day. Of course, in cases of proven mala fide, the law must take its own course.

At stake are productive assets estimated at Rs. 2,86,000 crore till 2012, which could be left stranded and rendered Non-Performing, in an hitherto unprecedented manner. We urge the fullest consideration of multiple levels of serious economic implications to the Nation, including loss of employment, replacing domestic loss of production with imports and compromising energy security. One tangible solution going forward could be introduction of independent mining companies, selected by competitive revenue-sharing bidding and engaging them from exploration to mining in un-mineralised blocks; this is in line with global practices. Use of electronic platforms for market access and price discovery ensures transparency and avoids implicit transfers from the Centre. A comprehensive legislation encompassing these objectives is urgently required to overhaul the coal sector.

- **TASK FORCE SOON TO EXAMINE DRAFT NATIONAL FERTILIZER POLICY**

FICCI said that in view of the importance of agrochemicals sector for ensuring national food security, FICCI was giving focussed attention to the sector and have constituted a dedicated sub-committee for the same. The global population was expected to reach 9.3 billion by 2050. By 2030, India would surpass China, to become world's most populous country. However, an issue of concern was that both globally and in India, the share of rural population and per capita availability of arable land was decreasing. This highlighted the necessity for farmers to produce more food on less land.

It was noted that Indian exports of agrochemicals have witnessed a strong growth in recent times. Today, exports constitute almost 50% of Indian industry. Opportunities in generic products, availability of technically trained manpower and low cost manufacturing capability in India are driving the Indian exports. The Indian exports are expected to grow at 15-16% over the next five years.

- **FICCI SUBMITS CHARTER FOR LABOUR POLICY REFORMS TO UNION MINISTER FOR LABOUR, EMPLOYMENT, MINING AND STEELS**

FICCI submitted a charter for Labour Policy reforms stating that the antiquated labour laws have blocked employment generation and competitiveness of enterprises, which is the prime need of the country. The paper states that against 8 percent growth between 2000 to 2009, the employment grew only at an average of 1.6 percent.

FICCI paper suggests the need for shifting labour from 'concurrent list' of the constitution to 'state list' to allow state government's greater freedom in formulating labour policies to attract higher investments. There is a need for minimising and simplification of labour laws for better compliance, the paper stated. The paper states that a uniform definition of 'employee', 'industry' and 'wages' across all labour legislations would minimise litigation. FICCI note submitted to the Government has called for adopting a uniform practice of serving 14 days compulsory notice in the case of both 'strike' and 'lockout'. This

provision right now exists only with regard to units engaged in 'public utility services'.

FICCI suggested that the definition of 'occupier' under the Factories Act, 1948 be extended to any managerial person vested with the ultimate control of the factory, as restricting the definition of 'Occupier' only to a 'Director', who may not be stationed at the site of the factory all the times, puts unreasonable restrictions. In this context, parity between the private sector and the public sector must be maintained. FICCI paper states that due to abolition of Contract Labour from one operation to the other, industry is finding it difficult to engage extra hands to discharge short-term contract including export commitments, as industry is unable to carry on the burden of the extra manpower. Industry is therefore unwilling to employ people on contract basis and employment generation is suffering. FICCI therefore suggested deletion of *Section 10* of the Contract Labour (Regulation & Abolition) Act, 1970, to provide flexibility to engage contract workers.

- **FICCI ARTICULATES ITS POSITION ON CLIMATE CHANGE**

FICCI to articulate the industry position in the UN SG Climate Summit, the needs of Indian industry, the ambitious domestic programmes put in place that will support low carbon development, the renewable energy targets achieved, the energy efficiency goals met, and the future strategic climate related interventions the government is planning to espouse.

The measures taken by the government towards building the necessary regulatory and policy environment for low carbon development creates a strong position for India to announce to the global community. India must voice the government's and industry's proactive engagement on low carbon pathways being pursued through stiff targets and voluntary initiatives at the national level, to the international community. Industry has, for the first time, come out to voice to the government the need to articulate the strong domestic measures being undertaken by the government and the proactive initiatives by industry to the international community. There is a need to sensitize the world on what India is doing and plans to do, there is a sense in the global community that not much is being done. The government has a strong intent to push clean energy, clean technology, low carbon initiatives and the industry is keen to espouse these, if backed by appropriate financing mechanisms from global resources.

- **LACK OF WATER STORAGE CAPACITY MAJOR CHALLENGE IN WATER MANAGEMENT**

According to FICCI Water Mission, water is a driver for growth. Water is considered an important input into industrial production, particularly for water intensive industrial sectors like thermal power, beverages, engineering, steel, textile etc. The industry's perception of water risks can be seen in a survey of 27 industrial sectors by FICCI which revealed that 60 per cent of the respondents felt availability of water was already impacting their business. In addition, 87 per cent of the companies attested that limitations in water would affect their business within the next decade.

The water-food-energy-ecology-growth is a nexus. Increase in the pace of industrialisation places added pressure on food, energy and the ecosystem at large, which exacerbates the risks related to water resources, with the potential for loss of economic opportunities and political and business instability. The water presents a multi-disciplinary challenge. Interaction of environmental, economic, social and political factors adds to the complexity of water risks, requiring more urgent action than those in the past.

- **GOVT. SETS IN MOTION PLAN FOR INTERLINKING OF RIVERS, 30 LINKS TO BE ESTABLISHED IN NEXT 10 YEARS**

FICCI looks forward to working with the Ministry in taking forward the water conservation agenda. The inadequate access to freshwater is one of the biggest limiting factors in the development process of any country. India is facing serious and persistent water resource crisis. The simultaneous effects of agricultural growth, industrialization and urbanization coupled with declining surface and groundwater quantity, intra and interstate water disputes, and inefficiencies in water use practices are some of the crucial problems faced by India's water sector.

The effective water resources management must be underpinned by knowledge and understanding of the availability of the resource itself, the uses to which water is put and the challenges facing the users of water at all levels of stakeholders. This can be done by creating mass awareness on the measures that can be taken to address the challenges affecting every living being. The Mission has been successful in getting representation from the various committees; members from these committees are our Water Champions driving the work of the mission.

FICCI accords the highest priority to the water sector and hence, has been working closely to promote water conservation strategies among its member companies. Through research, advocacy, awareness creation and best practices sharing, the Mission is working to make industry more responsive in managing our scarce water resources.

- **NEED TO INCENTIVIZE ENTRY, GROWTH AND EXIT FROM MSME SECTOR**

FICCI said that MSMEs face immense challenges and we need to work closely with the government to overcome these. We are keen to align our MSMEs within global value chains. This implies that our MSMEs have to become more competitive and reduce transaction costs at all levels. While MSMEs have the potential to innovate and adapt to market challenges, the weak link in the MSME ecosystem is inefficient backward and forward integration. We need a comprehensive framework to service MSMEs through cluster development, technology platforms and single-window clearances. Government has implemented several schemes at the center and state levels from Credit Guarantee Scheme to Manufacturing Competitiveness programme. However the uptake of these schemes has been limited. FICCI CMSME is happy to work with the Government to facilitate greater utilization of these schemes.

With e-commerce changing the way companies engage, both B2B as well as B2C, there is a new opportunity for MSMEs to utilize digital platforms. In the recent budget, Rs.100 crore has been allocated to the development of Technology Development Fund scheme. We look forward to becoming a part of the consultative mechanism with the Ministry to strengthen technology adoption by MSMEs.

- **AMENDMENT MADE IN THE INDUSTRIAL DISPUTES ACT, 1947, MADE DURING EMERGENCY ADDING CHAPTER V-B SHOULD GO LOCK, STOCK AND BARREL**

Welcoming Government initiative to bring reforms in labour policies, FICCI stated that although it has set the ball rolling, there are other important changes that need to be addressed to, to make Indian industry investment and employment friendly.

Amendment in the Apprentices Act would enable industry to utilize its full capacity for skill development to suit its own requirements. The proposed amendment would also go a long way in removing skill obsolescence. But apprentices should be allowed to be engaged in the production processes to provide them 'on the job' training, FICCI stated.

FICCI however supports enhancing the coverage of the proposed amendment in the Labour Laws (exemption from furnishing Returns and Maintaining Registers by certain establishments), Act, 1988 to establishments employing 50 workers from proposed 40 workers, to provide relief to the MSME sector. Amendment made in the Industrial Disputes Act, 1947, made during emergency, adding chapter V-B should go lock, stock and barrel.

- **ENHANCEMENT OF THE FDI LIMIT IN DEFENCE TO 49% UNDER FIPB ROUTE A RIGHT BALANCE TO GET REQUISITE TECHNOLOGY COUPLED WITH STRATEGIC SAFEGUARDS**

FICCI welcomes the adequate safeguards put in while liberalizing the FDI policy while allowing enhanced levels of FDI, only through the FIPB route as FICCI believes Defence to be a strategic sector wherein control regimes dominate and the flow of technology is regulated by the Governments of countries of origin. FICCI also welcomes Exceptions allowing FDI above 49%, on case to case basis, paving way for indigenous production of certain high technology products such as aircraft engines, advanced missile guidance systems, seekers, production of smart materials, high strength carbon fibre etc, for which investments can be justified only by volumes available through integration with the global supply chain of the OEM's .FICCI also called for greater efforts by the Ministry of Defence to provide special impetus to implementation of the "Defence Production Policy 2011", which aims to indigenise all major platforms over the next decade to build through-life capability across the value chain from concept to maintenance and upgrades. FICCI advocates that India must therefore leverage its position as one of the largest markets for defence equipment and regulate FDI limit enhancement to achieve her strategic goals.

- **FICCI WELCOMES MAHARASHTRA CHIEF MINISTER'S FIVE POINT PROGRAMME FOR DEVELOPMENT**

FICCI welcomed Maharashtra Chief Minister five point programme for the state's development:

- Plans to accord high priority to backward areas, piggybacking on the Delhi-Mumbai industrial corridor.
- Agriculture is the next priority.
- Urban infrastructure also takes priority.
- Tourism is also being looked at very seriously.
- An organised retail community with better backward linkages was the need of the hour.

FICCI mentioned that the Indian retail market is poised to reach USD 1.3 trillion by 2020, and the FMCG sector is the most matured industry of India. FICCI will continue to ensure that we all work together to improve the Indian economy, in particular the youth employment.

- **FICCI COMMENTS ON GOVT.'S DECISION TO ALLOW FDI IN RAILWAY INFRASTRUCTURE**

Welcoming the decision to allow 100% FDI in railway infrastructure, FICCI said that this overdue measure has happened at a time when the existing rail network and Indian Railways need funds to modernize and expand capacity to serve fast-growing needs of the economy. It will help railways in mobilising investments required for introducing high speed trains, suburban corridors and dedicated freight line projects through PPP.

- **PENAL LAWS MUST BE MADE MORE STRINGENT AND DETERRENT ACTIONS MUST BE ENFORCED AGAINST COUNTERFEITERS AND SMUGGLERS**

FICCI CASCADE spreads the consumer awareness against the menace of illegal products that *“penal laws must be made more stringent and deterrent actions must be enforced against counterfeiters and smugglers”*. FICCI has to work with all stakeholders and propose necessary actions that the government could initiate to combat the twin menace of smuggling and counterfeiting.

India's economic growth story has attracted the world's attention bringing new challenges for the domestic economy. One of the major issues for the economy and the industry is the uninhibited growth of counterfeit, fake and smuggled goods. The market for fake and counterfeit products is thriving in India and is today one of the biggest challenges faced by Indian industry. FICCI, has set up a committee against smuggling and counterfeit activities destroying the economy - FICCI-CASCADE, with the participation of all leading industries from all sectors of the economy.

- **PM TO INAUGURATE HYDRO POWER PROJECTS IN KARGIL & LEH DISTRICTS SOON**

FICCI underlined the urgency of rectifying the fuel imbalance in India's energy mix and promoting the hydro power sector through planning and greater stakeholder interaction. Proactive communications from the Government to the larger public detailing benefits and allaying fears of projects, and articulating wider benefits including for water storage, aiding agriculture, etc., should perhaps commence.

The ecological footprint of Hydropower necessitates a unique treatment within the energy sector. The regions upstream in a river often face risks of land submergence and displacement of people. So, a framework to address risks and incentives for upstream river regions is needed. The current mechanism of bidding for hydro projects involves various premiums which stack risks disproportionately towards the developer vis-à-vis the State and consequently can make projects unviable. Besides, the long gestation period call for financial mechanisms which factor in such risks to protect developer returns. A beginning can be made in treating hydropower projects at par with long term infrastructural projects.

- **PROJECT TO PROVIDE BROADBAND TO ALL 2.5 LAKH GRAM PANCHAYATS 'I-BHARAT' 2014 FOCUSES ON CAPTURING DOMESTIC IT POTENTIAL**

FICCI said that the recently announced Union Budget 2014-15 has put a lot of emphasis on greater use of technology for domestic growth and development of the country. I-Bharat 2014 was an important step towards the same by bringing together all the stakeholders to exchange their views and deliberate upon formulation of a sustainable roadmap for multi-sectorial growth through use of ICT.

For the last 2 years, the IT committee at FICCI has been working towards creating awareness around the need to build a strong digital infrastructure for India. By bringing back the focus on technology as a key enabler of development in the Union Budget, the new government has set the ball in motion, and it is very heartening to note that a lot of our recommendations were incorporated in it. We believe that the steps like building smart cities, a common e-governance platform, digital classrooms, enabling manufacturing of electronic goods, and increasing broadband penetration, will provide the much needed push towards creating a digital India.

FICCI stated that the ICT presents solutions to some of the most pressing global challenges in areas like healthcare, education, urban development and management, financial inclusion and disaster

management, amongst others. However, to enable the benefits of these developments to reach the masses, public-private cooperation is crucial.

- **APPRENTICESHIP ACT SHOULD BE TWEAKED TO SUIT ALL ESTABLISHMENTS: FICCI**

FICCI has suggested that engaging apprentices in the production processes should be encouraged for 'hands-on' training and it should not always be branded as 'substitution of cheap labour, for, it improves the quality of training. In the Swiss System of Vocation Training, the trainees start giving 20 percent production of a normal skilled worker in the 1st year, which increase to 75-80 percent by the time the trainee reaches the 3rd year of his training.

FICCI appreciated the ministry's initiative to restructure the apprentices system in the country which is a key to narrow down the gap between skills and jobs, secure full involvement of industry in skill development and promote employability of youth. We are sanguine, the efforts will be successful, writing a new chapter in the history of skill development initiatives in the country.

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