ONE HUNDRED AND FIFTY EIGHTH REPORT

Attracting investment in post-Covid Economy: Challenges and Opportunities for India

(Presented to the Rajya Sabha on 10th February, 2021)
(Laid on the Table of Lok Sabha on 10th February, 2021)
PARLIAMENT OF INDIA
RAJYA SABHA

DEPARTMENT RELATED PARLIAMENTARY STANDING
COMMITTEE ON COMMERCE

ONE HUNDRED AND FIFTY EIGHTH REPORT

Attracting Investment in Post-Covid Economy: Challenges and Opportunities for India

(Presented to the Rajya Sabha on 10th February, 2021)
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Rajya Sabha Secretariat, New Delhi
February, 2021/ Magha, 1942 (Saka)
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COMPOSITION OF THE COMMITTEE
(Constituted w.e.f. 13th September, 2019)

1. Shri V. Vijayasai Reddy — Chairman

RAJYA SABHA
2. Shrimati Roopa Ganguly
3. Shri Sushil Kumar Gupta
4. Shri M.P. Veerendra Kumar
5. Shrimati Thota Seetharama Lakshmi
6. Shri Jugalsinh Mathurji Lokhandwala
7. Shri Om Prakash Mathur
8. Dr. K.V.P. Ramachandra Rao
9. Shri Vayalar Ravi
10. Dr. Kanwar Deep Singh
11. Shrimati Priyanka Chaturvedi
12. Shri Mallikarjun Kharge
13. Shrimati Mausam Noor
14. Shri Deepak Prakash
15. Shri D. M. Kathir Anand
16. Shri Sukhbir Singh Badal
17. Shri Prasun Banerjee
18. Shri Rajkumar Chahar
19. Shri Arvind Dharmapuri
20. Shri Chandra Prakash Joshi
21. Shri Srinivas Kesineni
22. Shri Manoj Kishorbhai Kotak
23. Shri Ajay Kumar Mandal
24. Shrimati Manjulata Mandal
25. Shri Nakul K. Nath
26. Shri Hemant Patil
27. Shri Nama Nageswar Rao
28. Shri Ashok Kumar Rawat
29. Shri Magunta Sreenivasulu Reddy
30. Shri K. Shanmuga Sundaram
31. Shri Gowdar Mallikarjunappa Siddeshwara
32. Dr. Amar Singh
33. Shri Atul Kumar Singh alias Atul Rai
34. Shri Shantanu Thakur
35. Shri Mansukhbhai Dhanjibhai Vasava

& passed away on 28th May, 2020
$ Retired w.e.f. 9th April, 2020
% Retired w.e.f. 9th April, 2020
@ Retired w.e.f. 2nd April, 2020
* Nominated w.e.f. 22nd July, 2020
&& Nominated w.e.f. 22nd July, 2020
# Nominated w.e.f. 22nd July, 2020
^ Nominated w.e.f. 22nd July, 2020

(i)
COMPOSITION OF THE COMMITTEE
(Constituted w.e.f. 13th September, 2020)

1. Shri V. Vijayasai Reddy — Chairman

RAJYA SABHA
1. Shrimati Priyanka Chaturvedi
2. Shrimati Roopa Ganguly
3. Shri Sushil Kumar Gupta
4. Shri Mallikarjun Kharge
5. Shri Jugalsinh Mathurji Lokhandwala
6. Shri Om Prakash Mathur
7. Shrimati Mausam Noor
8. Shri Deepak Prakash
9. Shri Vayalar Ravi

LOK SABHA
@11. Smt. Sumalatha Ambareesh
12. Shri Prasun Banerjee
13. Shri Raju Bista
14. Shri Rajkumar Chahar
15. Shri Rameshbhai Lavjibhai Dhaduk
16. Shri Arvind Dharmapuri
17. Shri Manoj Kishorbhai Kotak
18. Shri Ajay Kumar Mandal
19. Shrimati Manjulata Mandal
20. Shri Nakul K. Nath
21. Shri Hemant Patil
22. Shri Gautham Sigamani Pon
23. Dr. Manoj Rajoria
24. Shri Nama Nageswar Rao
25. Shri Ashok Kumar Rawat
26. Shri Magunta Sreenivasulu Reddy
27. Shri Prajwal Revanna
28. Shri Gowdar Mallikarjunappa Siddeshwara
29. Shri Kesineni Srinivas
30. Shri Shantanu Thakur
31. Shri Mansukhbhai Dhanjibhai Vasava

SECRETARIAT
Dr. P. P. K. Ramacharyulu, Secretary
Shri Sunil Dutt Nautiyal, Joint Secretary
Shri S. Jason, Director
Smt. Nidhi Chaturvedi, Additional Director
Shri Kuldip Singh, Under Secretary
Shri V. Summinlun, Assistant Committee Officer

@ Nominated w.e.f. 30.12.2020 to Committee on Information Technology
INTRODUCTION

I, the Chairman of the Department Related Parliamentary Standing Committee on Commerce, having been authorised by the Committee, present this One Hundred and Fifty Eighth Report on 'Attracting Investment in post-Covid Economy: Challenges and Opportunities for India.’

2. The Committee took up the subject for detailed examination on 27th July, 2020 and the same was notified vide Parliamentary Bulletin Part-II dated 28th July, 2020. As a part of examination of the subject, the Committee considered the subject in detail in its twelve meetings. The Committee heard the views of Secretaries of Department for Promotion of Industry and Internal Trade (Ministry of Commerce and Industry), Department of Heavy Industry (Ministry of Heavy Industries and Public Enterprises), Department of Pharmaceuticals (Ministry of Chemicals and Fertilizers), Ministry of Electronics and Information Technology, Ministry of Micro, Small and Medium Enterprises, Ministry of New and Renewable Energy, Ministry of Steel and Special Secretary, Department of Commerce (Ministry of Commerce and Industry). The Committee also had interaction with the representatives of Automotive Component Manufacturers Association (ACMA), Society of Indian Automobile Manufacturers (SIAM), Confederation of Indian Industry (CII), Pharmaceuticals Export Promotion Council of India (Pharmexcil), Communication Multimedia and Infrastructure Association of India (CMAI), Federation of Indian Micro and Small & Medium Enterprises (FISME), Toy Association of India (TAI), All India Solar Industries Association (AISIA) and Indian Industries Association (IIA).

3. The Committee considered the draft Report and adopted the same at its meeting held on 8th February, 2021.

4. The Committee expresses its sincere gratitude to the representatives of the Ministries/ Departments and the representatives of various organizations for placing before it the valuable suggestions, materials and information required in connection with the examination of the subject.

NEW DELHI;
08 February, 2021
Magha 12, 1942 (Saka)

V. VIJAYASAI REDDY
Chairman,
Department Related Parliamentary Standing Committee on Commerce
Rajya Sabha
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<td>Adjudicating Authority</td>
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<td>ALMM</td>
<td>Approved List of Models and Manufacturers</td>
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<td>APIs</td>
<td>Active Pharmaceutical Ingredients</td>
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<td>ARAI</td>
<td>Automotive Research Association of India</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
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<td>BCD</td>
<td>Basic Customs Duty</td>
</tr>
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<td>BS</td>
<td>Bharat Stage</td>
</tr>
<tr>
<td>CAGR</td>
<td>Compounded Annual Growth Rate</td>
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<td>CERSAI</td>
<td>Central Registry of Securitisation Asset Reconstruction and Security Interest</td>
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<td>CIRP</td>
<td>Corporate Insolvency Resolution Process</td>
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<tr>
<td>CKD</td>
<td>Completely Knocked Down</td>
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<td>CTE</td>
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<td>Consent to Operate</td>
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<td>DIs</td>
<td>Drug Intermediates</td>
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<td>DMF</td>
<td>District Mineral Foundation</td>
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<td>DPIIT</td>
<td>Department for Promotion of Industry and Internal Trade</td>
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<td>DRI</td>
<td>Direct Reduced Iron</td>
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<td>EC</td>
<td>Environmental Clearance</td>
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<td>EGoS</td>
<td>Empowered Group of Secretaries</td>
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<td>EMC</td>
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<td>EPFO</td>
<td>Employees' Provident Fund Organisation</td>
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<td>ESIC</td>
<td>Employee State Insurance Corporation</td>
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<td>ETR</td>
<td>Estimated Time of Recovery</td>
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<td>EV</td>
<td>Electric Vehicle</td>
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<td>EVA</td>
<td>Ethylene Vinyl Acetate</td>
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<td>FAB</td>
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<td>FTP</td>
<td>Foreign Trade Policy</td>
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<td>FY</td>
<td>Financial Year</td>
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<tr>
<td>GARC</td>
<td>Global Automotive Research Centre</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GST</td>
<td>Goods and Services Tax</td>
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<table>
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<td>GVA</td>
<td>Gross Value Added</td>
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<td>Gross Value Chain</td>
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<td>GW</td>
<td>Gigawatt</td>
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<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
</tr>
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<td>ICAT</td>
<td>International Centre for Automotive Technology</td>
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<td>IEC</td>
<td>International Electrotechnical Commission</td>
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<tr>
<td>IIP</td>
<td>Index of Industrial Production</td>
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<td>IRP</td>
<td>Interim Resolution Professional</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>ITA</td>
<td>Information Technology Agreement</td>
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<td>IVD</td>
<td>In-Vitro Diagnostics</td>
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<td>KSMs</td>
<td>Key Starting Materials</td>
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<td>LED</td>
<td>Light Emitting Diode</td>
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<td>LPI</td>
<td>Logistics Performance Index</td>
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<tr>
<td>MCGM</td>
<td>Municipal Corporation of Greater Mumbai</td>
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<td>MEIS</td>
<td>Merchandise Exports from India Scheme</td>
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<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
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<tr>
<td>MoMSME</td>
<td>Ministry of Micro, Small and Medium Enterprises</td>
</tr>
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<td>MoSPI</td>
<td>Ministry of Statistics &amp; Programme Implementation</td>
</tr>
<tr>
<td>MoUs</td>
<td>Memorandum of Understandings</td>
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<td>M-SIPS</td>
<td>Modified Special Incentive Package Scheme</td>
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<tr>
<td>MSME</td>
<td>Micro, Small and Medium Enterprises</td>
</tr>
<tr>
<td>MT</td>
<td>Million Tonnes</td>
</tr>
<tr>
<td>MTPA</td>
<td>Million Tonnes Per Annum</td>
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<td>NARTIP</td>
<td>National Automotive Testing and R&amp;D Infrastructure Project</td>
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<td>NATRAX</td>
<td>National Automotive Test Tracks</td>
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<td>NBFC</td>
<td>Non-Banking Financial Company</td>
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<td>NCAER</td>
<td>National Council of Applied Economic Research</td>
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<td>National Company Law Tribunal</td>
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<td>NID</td>
<td>National Institute of Design</td>
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<td>NMET</td>
<td>National Mineral Exploration Trust</td>
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<td>NPE</td>
<td>National Policy on Electronics</td>
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<td>NW</td>
<td>National Waterways</td>
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<td>PAN</td>
<td>Permanent Account Number</td>
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<td>PDCs</td>
<td>Project Development Cells</td>
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<td>PLI</td>
<td>Production Linked Incentive</td>
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<tr>
<td>PM-KUSUM</td>
<td>Pradhan Mantri Kisan Urja Suraksha evam Utthan Mahabhiyan</td>
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<tr>
<td>PMP</td>
<td>Phased Manufacturing Programme</td>
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<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
</tr>
<tr>
<td>QR</td>
<td>Quick Response</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research &amp; Development</td>
</tr>
<tr>
<td>RoDTEP</td>
<td>Remission of Duties or Taxes on Export Products</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
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</tr>
<tr>
<td>RoU</td>
<td>Right of Use</td>
</tr>
<tr>
<td>ROW</td>
<td>Right of Way</td>
</tr>
<tr>
<td>RTC</td>
<td>Round the Clock</td>
</tr>
<tr>
<td>SAIDI</td>
<td>System Average Interruption Duration Index</td>
</tr>
<tr>
<td>SAIFI</td>
<td>System Average Interruption Frequency Index</td>
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<tr>
<td>SKD</td>
<td>Semi Knocked Down</td>
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<tr>
<td>SPECS</td>
<td>Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors</td>
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<td>SPS</td>
<td>Sanitary and Phyto-sanitary</td>
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<td>TAN</td>
<td>Tax Deduction and Collection Account Number</td>
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<tr>
<td>TIFAC</td>
<td>Technology Information, Forecasting and Assessment Council</td>
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<td>TPDDL</td>
<td>Tata Power Delhi Distribution Limited</td>
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<td>UDAN</td>
<td>Ude Desh ka Aam Naagrik</td>
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<td>USA</td>
<td>United States of America</td>
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<td>USD</td>
<td>United States Dollar</td>
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<td>UTs</td>
<td>Union Territories</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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INTRODUCTION

1.1 The outbreak of COVID-19 pandemic has severely impacted all major economies of the world. With the increased degree of globalization and the highly integrated economic structure of the world, transmission of any shock across the economies is bound to happen. As estimated by the World Bank and the International Monetary Fund, the global GDP will witness a sharp contraction due to the spillover effects of lockdown imposed to contain the spread of COVID-19 pandemic. The Indian economy has also been severely impacted by the pandemic with our GDP contracting by (-) 23 per cent in the 1st Quarter (April- June) of the current Financial Year (2020-2021). The COVID-19 pandemic has also exposed the vulnerability of the global supply chain. The pandemic further heightened the geopolitical and economic tensions caused by the US-China trade war that began in 2018, which had created uncertainty regarding trade and investment. The overdependence of the Global Value Chains (GVCs) on a single country has resulted in supply chain disruption and consequently leading to shortage of critical components for manufacturing industries during the pandemic. There was realisation in many countries about the risks involved in high dependence on a single country for imports and accordingly they worked out their strategy to move away from China and seek more diversified supply chains. With an aim to strengthen their supply chains and broad base their investment, GVCs and investors are re-evaluating to de-risk their supply chain management and investment destination. Many GVCs and investors are, therefore, exploring to shift their manufacturing bases and investments to countries like Vietnam, Indonesia, Thailand, Malaysia, India, etc.

1.2 The COVID-19 pandemic has also exposed India’s supply chain vulnerabilities due to its reliance on a single country to a large extent. With the Government of India’s flagship programme of 'Make in India' and the Prime Minister’s clarion call for ‘Atmanirbhar Bharat’ and 'Vocal for Local', India has embarked on a mission for self-reliance and has taken scores of measures and announced a number of economic incentives for creating critical domestic capacity to make Indian economy resilient to global disruptions, exploring new export markets and products, and move towards a more strategic integration into the global supply chain.

1.3 The realignment of the GVCs and investment in the wake of COVID-19 pandemic has presented an opportunity for India in attracting investment and manufacturing companies. India has been one of the most preferred destinations for Foreign Direct Investment (FDI) owing to its liberal FDI policy, strong macroeconomics fundamentals, its democratic governance
system, and improvement in its ranking in World Bank's Ease of Doing Business Report as a result of which it has witnessed increased inflow of FDI in recent years. The reforms undertaken by the Central and various State Governments focussed at improving the overall business environment in the country. These efforts resulted in India's leap of 79 positions from the 142nd rank in 2014 to 63rd rank in the World Bank's Doing Business Report, 2019. Also India's rank in Global Innovation Index improved by four positions to the 48th position in 2020 from 52nd rank in 2019.

1.4 India offers the best alternative and has a great potential to attract investment given the size of her domestic market and abundant labour force. It is currently the fifth largest economy in terms of GDP current USD while it is the third largest in terms of GDP PPP current international USD. With the advantage of demographic dividend, rising middle class and rapid urbanisation, India is a young and aspirational economy, creating a huge domestic market. Attracting investment and businesses to India will drive her economic growth through capital generation, job creation, technology transfer, skill development, export promotion and improvement of overall competitiveness of economy while helping the country to integrate into the global supply chains.

1.5 Opening of the sectors of the economy and inviting foreign investors in itself is not adequate; there is a greater need to create a conducive business environment in the country enabling foreign companies to manufacture at a competitive cost, while utilising its resources including manpower. The ease of doing business environment in India has, however, been facing myriad of issues due to various administrative and regulatory hurdles which cause delay in getting approvals and licences from the Central and State governments. Further, high cost of inputs due to inadequate and costly credit facility, tedious procedure of land acquisition and necessary environmental clearances, difficulties in enforcing contracts, lack of adequate infrastructure facilities, high logistics cost, presence of large unorganized sector, multiple labour laws, lack of scale in manufacturing and stagnant share of manufacturing sector are some of the major challenges, which need to be addressed to facilitate business friendly environment for attracting investment to India. India's competitiveness has remained low over the years, with 68th rank in the Global Competitiveness Index, 2019. In order to attract Global Value Chains to India, it is also important that sector specific strategies are devised and incentives are offered to them.

1.6 Taking into consideration the above factors, the Department-related Parliamentary Standing Committee on Commerce selected the subject “Attracting Investment in post-COVID Economy: Challenges and Opportunities for India” for examining the opportunities and challenges for
attracting investment, analyzing the administrative and regulatory constraints affecting the ease of doing business environment and exploring appropriate measures to address the same with an aim to make India a global manufacturing hub.

1.7 The Report provides a detailed analysis of the performance of some crucial sectors such as automobile, pharmaceutical, solar energy, electronics, toys and steel highlighting the issues that inhibit their growth. It further delves in detail regarding the issues faced by the logistics sector as well as the performance of India with regard to the various parameters under the World Bank’s Ease of Doing Business Report. The recommendations of the Committee attempt to provide solution to the crucial issues faced by these specific industries. It further attempts to identify and address the hurdles that deter the efficiency of logistics sector and the ease of doing business, with the objective of making India an attractive destination for investment in post-COVID economy.

GLOBAL ECONOMIC SCENARIO

2.1 The Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry informed the Committee that as per IMF’s World Economic Outlook (WEO) (October 2020), global economic growth is projected to contract at -4.4 percent in 2020, and recovering to 5.2 percent in 2021. Following the contraction in 2020 and recovery in 2021, the level of global GDP in 2021 is expected to be 0.6 percent above that of 2019.

2.2 As per World Investment Report 2020 of the United Nations Conference on Trade and Development (UNCTAD), global Foreign Direct Investment (FDI) flows are forecast to decrease by up to 40 per cent in 2020, from their 2019 value of USD 1.54 trillion bringing FDI below USD 1 trillion for the first time since 2005. FDI is projected to decrease further by 5-10 per cent in 2021. The projections of flow of FDI in developed and developing economies is as under:

(i) Developed economies as a group are projected to see a decline between 25-40 per cent.
(ii) Developing economies as a group are projected to see a steeper decline between 30-45 per cent.

INDIAN ECONOMIC SCENARIO

Performance of GDP

3.1 The Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry informed the Committee that the annual GDP growth rate (at 2011-12 prices) was 6.1 per cent in 2018-19 and 4.2 per
cent in 2019-20. The GDP growth rate (at 2011-12 prices) for Q1 (April-June) of 2020-21 showed a contraction of (-) 23.9 percent as compared to 5.2 percent growth in Q1 (April-June) of 2019-20. The growth in manufacturing GVA (at 2011-12 prices) for Q1 (April-June) of 2020-21 was (-) 39.3 per cent as compared to 3 per cent growth for 2019-20 for the same period. The growth in agriculture GVA (at 2011-12 prices) for Q1 (April-June) of 2020-21 was 3.4 per cent as compared to 3 per cent for 2019-20 for the same period. The construction sector GVA (at 2011-12 prices) contracted by (-) 50.3 per cent during Q1 (April-June) 2020-21 as compared to 5.2 per cent growth for 2019-20 for the same period.

3.2 The Committee expresses its concern over the sharp contraction of GDP during first quarter of the Financial Year 2020-21. The Committee also notes India had already been experiencing a decline in its GDP growth trajectory since 2017 and it was further exacerbated by the COVID-19 pandemic and the subsequent lockdown. It opines that healthy economic indicators are vital for attracting foreign investors and therefore recommends that concerted efforts should be made to revive economy and recover from the current slump.

Industrial growth

3.3 The industrial performance measured in terms of Index of Industrial Production (IIP) in the first six months of FY 2020-21 along with the sectoral breakup thereof is given below:

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<tbody>
<tr>
<td>IIP</td>
<td>-18.7</td>
<td>-57.3</td>
<td>-33.4</td>
<td>-15.8</td>
<td>-10.8</td>
<td>-8.0</td>
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<td>Mining</td>
<td>-1.3</td>
<td>-26.9</td>
<td>-20.4</td>
<td>-19.6</td>
<td>-12.8</td>
<td>-9.8</td>
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<tr>
<td>Manufacturing</td>
<td>-22.8</td>
<td>-66.6</td>
<td>-37.8</td>
<td>-16.0</td>
<td>-11.6</td>
<td>-8.6</td>
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<tr>
<td>Electricity</td>
<td>-8.2</td>
<td>-22.9</td>
<td>-14.9</td>
<td>-10.0</td>
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<tr>
<td>Primary goods</td>
<td>-4.0</td>
<td>-26.6</td>
<td>-19.6</td>
<td>-14.5</td>
<td>-10.8</td>
<td>-11.1</td>
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<td>Capital goods</td>
<td>-38.8</td>
<td>-92.7</td>
<td>-65.9</td>
<td>-37.4</td>
<td>-22.8</td>
<td>-15.4</td>
</tr>
<tr>
<td>Intermediate goods</td>
<td>-18.6</td>
<td>-63.9</td>
<td>-39.7</td>
<td>-23.0</td>
<td>-11.7</td>
<td>-6.8</td>
</tr>
<tr>
<td>Infrastructure/</td>
<td>-24.3</td>
<td>-85.0</td>
<td>-39.0</td>
<td>-18.8</td>
<td>-8.6</td>
<td>-2.3</td>
</tr>
<tr>
<td>construction goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer durables</td>
<td>-36.8</td>
<td>-95.7</td>
<td>-70.3</td>
<td>-34.3</td>
<td>-23.0</td>
<td>-10.3</td>
</tr>
<tr>
<td>Consumer non-durables</td>
<td>-22.3</td>
<td>-48.1</td>
<td>-9.7</td>
<td>14.3</td>
<td>1.8</td>
<td>-3.3</td>
</tr>
</tbody>
</table>

Source: MoSPI
3.4 The graph below on Index of Industrial Production (IIP) shows that the industrial production of the country has been recovering after the month of April 2020. Based on the growth trend, it is expected that industrial production will soon reach to the territory of positive growth.

![IIP Growth Rate (Month-wise)](image)

Source: MoSPI

3.5 The Committee is deeply concerned by the poor industrial performance. A vibrant and healthy industrial performance is critical to country’s path to recovery from the adverse impact of COVID-19 pandemic. In this regard, the Committee feels that the Department should take cognizance of the stressed situation existing in various sectors of the economy and initiate steps in sync with the measures announced by the Government such as Product Linked Incentive Scheme, Line of Credit Scheme for boosting exports, stimulus packages for capital and industry, relaxation in labour laws and tax reforms. The new thrust on Atmanirbhar Bharat or self-reliant India will pave the way for encouraging entrepreneurship and innovation in domestic manufacturing sector. The Department, therefore, should capitalize on the new strategy of self-reliance for boosting industry and manufacturing sector in India. The Committee further recommends that the construction of infrastructure projects such as the Industrial Corridors should be expedited and completed at the earliest to provide the much needed boost to industries.

**Foreign Direct Investment (FDI)**

3.6 The Committee was informed that the Government of India has put in place an enabling and investor friendly FDI policy, removing the policy bottlenecks that had hindered the investment inflows into the country. The FDI policy provisions have been progressively liberalized and simplified across various sectors in the recent past to make India an attractive investment destination.
Trend of Foreign Direct Investment (FDI) inflow

3.7 The Committee was informed that FDI inflows to India stood at USD 45.15 billion in 2014-2015 and have continuously increased since then. FDI inflows were USD 55.56 billion in 2015-2016, USD 60.22 billion in 2016-2017, USD 60.97 billion in 2017-2018, USD 62.00 billion in the year 2018-19 and the country registered its highest ever annual FDI Inflow of USD 74.39 billion (provisional figure) during the last Financial Year (FY), i.e. 2019-20. Year wise details of FDI inflow are as under:

Year wise FDI inflow since 2014-15

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Financial Year</th>
<th>Amount (in US$ billion)</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2014-15</td>
<td>45.15</td>
<td>-</td>
</tr>
<tr>
<td>2.</td>
<td>2015-16</td>
<td>55.56</td>
<td>(+) 23%</td>
</tr>
<tr>
<td>3.</td>
<td>2016-17</td>
<td>60.22</td>
<td>(+) 8%</td>
</tr>
<tr>
<td>4.</td>
<td>2017-18</td>
<td>60.97</td>
<td>(+) 1%</td>
</tr>
<tr>
<td>5.</td>
<td>2018-19</td>
<td>62.00</td>
<td>(+) 2%</td>
</tr>
<tr>
<td>6.</td>
<td>2019-20</td>
<td>74.39</td>
<td>(+) 20%</td>
</tr>
<tr>
<td>7.</td>
<td>2020-21 (April to August, 2020)</td>
<td>35.73</td>
<td>(+) 13%*</td>
</tr>
</tbody>
</table>

* Compared with April to August, 2019 (US$ 31.60 billion)

3.8 The inflow of FDI into the manufacturing sector has witnessed a growth of 19 per cent in 2019-20 in comparison to previous FY 2018-19 (i.e., from USD 14.38 billion to USD 17.12 billion). FDI in non-manufacturing sectors also increased by 10 per cent from USD 29.99 billion to USD 32.86 billion.

3.9 In the last six financial years, i.e. 2014-20, India has received FDI inflow worth USD 358.30 billion which is 53 percent of the FDI reported in the last 20 years (USD 681.87 billion).

3.10 The DPITT informed the Committee that FDI inflows have increased by 15 per cent post-COVID in comparison to FDI inflow reported pre-COVID as shown below:

FDI inflow in pre-COVID and post–COVID period

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Period (6 months)</th>
<th>FDI Inflow (Amt. in USD billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Pre-COVID (September, 2019 to February, 2020)</td>
<td>36.50</td>
</tr>
<tr>
<td>2.</td>
<td>Post-COVID (March, 2020 to August, 2020)</td>
<td>42.02</td>
</tr>
</tbody>
</table>

Growth

(+) 15%
3.11 The Committee is pleased to note that FDI inflow into our country has witnessed a positive trend during the pandemic. The Committee also observes that FDI inflow into the manufacturing sector has also registered an increase of 19 per cent in 2019-20 compared to that of 2018-19. Further, the inflow of FDI post-COVID vis-à-vis pre-COVID has increased by 15 per cent. The Committee recommends the Department to further build on this positive trend and make India a preferred destination for investment and manufacturing. The Committee is hopeful that the positive inflow of FDI will result in boosting our economic growth and help in achieving the target of US 5 trillion-dollar economy by 2024-25. The Committee further recommends the Department, in coordination with Ministry of External Affairs and Indian Missions aboard to engage with Indian Diasporas in different countries to attract investment to India.

Steps taken to attract FDI in post-COVID Economy

3.12 On enquiring about the steps taken by the Department for Promotion of Industry and Internal Trade (DPIIT) to attract investment to India in post-COVID Economy, it has been informed that the Cabinet has approved the setting up of an Empowered Group of Secretaries (EGoS) and Project Development Cells (PDCs) in respective Ministries and Departments of the Government, to boost foreign and domestic investments in India through strategic investor outreach and the improvement of sector and state/central-level policy and investment climate.

3.13 The Department has promulgated the concept of Project Development Cell (PDC) for addressing issues faced by investors, collation of the investible projects across sectors for facilitating both domestic and foreign investments. The PDC is tasked with hand holding investors and also preparing a shelf of projects for them to come and invest in India. Cross cutting policy issues are taken up at the level of Cabinet Secretary who is chairing the EGoS.

3.14 With a view to attract MNCs looking to shift manufacturing base out of China, DPIIT has organised/panned digital road shows/seminars/one-to-one meetings in selected focus countries, namely, USA, Germany, China, Korea, Taiwan and Japan to attract investments. The suggested plan for these activities was shared with Indian Missions overseas in the above mentioned countries and with 10 Ministries/Departments, namely, (i) Ministry of Steel; (ii) Ministry of Textiles; (iii) Ministry of Electronics and Information Technology; (iv) Department of Chemicals & Petrochemicals; (v) Ministry of Health & Family Welfare; (vi) Ministry of Food Processing Industries; (vii) Ministry of Defence; (viii) Ministry of New & Renewable
Energy; (ix) Department of Pharmaceuticals; and (x) Department of Heavy Industry.

3.15 DPIIT has also taken up for resolution genuine issues faced by companies with the concerned Ministries/Department as well as State Governments. Further, wherever considered appropriate, such issues are being referred to the Empowered Group of Secretaries for consideration. The Department, in coordination with Invest India, the Investment Facilitation Agency of DPIIT, holds discussions with Japanese, Korean and Taiwanese companies with regard to the investment plans of these companies and to know the intervention, if any, required from the Department. The Department has been actively negotiating through Invest India, with both the existing and potential investors and providing necessary hand-holding.

**Atmanirbhar Bharat and Make in India**

3.16 The Department for Promotion of Industry and Internal Trade informed the Committee that Government has taken the following steps, *inter alia*, to promote domestic manufacturing in general and in specific sectors.

**Reduction in Corporate Tax**

3.17 Income tax rates for companies have been reduced to 22 per cent during Financial Year 2019-20 to promote growth and investment in the country, subject to the condition that they will not avail any exemption/incentive. The effective tax rate for these companies shall be 25.17 per cent inclusive of surcharge & cess and they are not required to pay Minimum Alternate Tax (MAT).

3.18 A new domestic company incorporated on or after 1st October 2019 making fresh investment in manufacturing has an option to pay income-tax at the rate of 15 per cent subject to the condition that it has not availed any exemption/incentive and commences its production on or before 31st March, 2023. The effective tax rate for such companies shall be 17.01 per cent inclusive of surcharge & cess and they are not required to pay MAT.

3.19 In order to provide relief to companies which continue to avail exemptions/incentives, the rate of MAT has been reduced from existing 18.5 per cent to 15 per cent.

**Production Linked Incentive (PLI) scheme**

3.20 The Committee was informed that the Union Cabinet approved in the month of April, 2020, a Production Linked Incentive (PLI) Scheme of Ministry of Electronics and Information Technology for large scale electronics manufacturing with accumulative outlay of Rs. 40,955 crore over
a five year period. The Union Cabinet has also approved PLI schemes for the Department of Pharmaceuticals for domestic manufacturing of medical devices with an outlay of Rs. 3,420 crore and for promoting domestic manufacturing of critical Key Starting Materials (KSMs)/ Drug Intermediates and Active Pharmaceutical Ingredients (APIs) with an outlay of Rs. 6,940 crore.

3.21 The Department for Promotion of Industry and Internal Trade further informed the Committee that the Union Cabinet has subsequently approved in the month of November, 2020, PLI Scheme for 10 key sectors namely - Advance Chemistry Cell (Cell) Battery, Electronic/Technology Products, Automobile and Auto Components, Pharmaceutical Drugs, Telecom Networking Products, Textile Products: Man Made Fibre Segment and Technical Textile, Food Products, High Efficiency Solar PV Modules, White Goods (ACs & LED) and Specialty Steel with a total outlay of Rs.1,45,980 crore. The PLI scheme will be implemented by the concerned Ministries/Departments over a five year period. These schemes are aimed to make Indian manufacturers globally competitive, attract investment in areas of core competency and cutting-edge technology; ensure efficiencies; create economies of scale; enhance exports and make India an integral part of the global supply chain.

3.22 The Committee recommends that a transparent system may be formulated by each Ministry which were allocated funds under PLI Schemes to enable easy access to data and information regarding implementation of the scheme. Information regarding the amount of incentives disbursed as well as delay in providing incentives along with reasons for the same may be made accessible online.

**Phased Manufacturing Programme (PMP):**

3.23 In order to promote domestic manufacturing of sectors facing high imports or cheaper imports, intervention is undertaken through increase in Basic Customs Duty on identified products so that domestic manufacturing could compete *vis-a-vis* imports for those products. This will enable such sectors to grow in size and scale. The Phased Manufacturing Programme (PMP) is currently in operation for Cellular Mobile Handsets since 2016-17 and e-vehicles since 2019-20. Further, NITI Aayog has identified LED Lights, Network Products, Medical Devices, Pharmaceutical Drugs and Man-made fibre for implementation of PMP.

3.24 The Committee appreciates the efforts made by the Government in taking proactive steps to attract investment and promote domestic manufacturing. The Committee is hopeful that these measures will help in realising the goal of ‘Atmanirbhar Bharat’ and making India a global
manufacturing hub. The Committee recommends the Department for Promotion of Industry and Internal Trade to ensure that the newly introduced schemes/measures are implemented in a timely manner. The Committee further recommends the Department to provide necessary assistance to the industries as well as coordinate with various Ministries/Departments so that the intended benefits are accrued to the industries and any hurdle in the implementation process is resolved in a timely manner with the respective Ministry/Department.

3.25 The Committee also recommends that the Phased Manufacturing Programme for LED Lights, Network Products, Medical Devices, Pharmaceutical Drugs, and Man-made fibre is formulated and implemented at the earliest to boost the domestic manufacturing of these products.

TRADE WITH CHINA

4.1 The Department of Commerce, Ministry of Commerce and Industry informed the Committee that trade balance with China, though not in favor of India, has been consistently improving. During the last two years, our import from China showed a downward trend, and it decreased from USD 76.4 billion in 2017-18 to USD 70.3 billion in 2018-19 and further to USD 65.26 billion in 2019-20, exhibiting a decline of USD 10 billion in last two years, i.e. since 2017-18. Our exports increased to USD 16.75 billion in 2018-19 as compared to USD 13.33 billion in 2017-18 and further increased to USD 16.6 billion in 2019-20.

4.2 The trade deficit which had reached USD 63 billion in 2017-18, declined to USD 53 billion in 2018-19 and further declined to USD 48.65 billion in 2019-20. The year wise trade data with respect to trade with China are as under:

<table>
<thead>
<tr>
<th>Year</th>
<th>Import</th>
<th>Export</th>
<th>Total Trade</th>
<th>Trade Deficit</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>60,413.17</td>
<td>11,934.25</td>
<td>72,347.42</td>
<td>48,478.92</td>
<td>33.88</td>
</tr>
<tr>
<td>2015-16</td>
<td>61,707.95</td>
<td>9,011.36</td>
<td>70,719.31</td>
<td>52,696.59</td>
<td>8.7</td>
</tr>
<tr>
<td>2016-17</td>
<td>61,283.03</td>
<td>10,171.89</td>
<td>71,454.93</td>
<td>51,111.14</td>
<td>(-3.00)</td>
</tr>
<tr>
<td>2017-18</td>
<td>76,380.70</td>
<td>13,333.53</td>
<td>89,714.23</td>
<td>63,047.17</td>
<td>23.35</td>
</tr>
<tr>
<td>2018-19</td>
<td>70,319.65</td>
<td>16,752.80</td>
<td>87,072.45</td>
<td>53,566.85</td>
<td>(-15.04)</td>
</tr>
<tr>
<td>2019-20</td>
<td>65,260.66</td>
<td>16,608.76</td>
<td>81,869.42</td>
<td>48,651.90</td>
<td>(-9.18)</td>
</tr>
</tbody>
</table>

Source: DGCIS

Items of export and import

4.3 The Committee was informed that the major items of import from China are telecom instruments, computer hardware and peripherals,
fertilizers, electronic components/instruments, project goods, organic chemicals and drug intermediates, consumer electronics, electrical machinery, etc.

4.4 The exports from China to India rely strongly on manufactured items for meeting the demand of fast expanding sectors like telecom and power in India. Some of the imports from China like the Active Pharmaceutical Ingredients (APIs) are used as inputs by Indian pharmaceutical industry for their drug formulations.

4.5 On the other hand, India’s exports to China are mainly primary products, raw materials and intermediate products like iron ore, copper, minerals, cotton, fisheries, spices etc. Issues of limited market access to the Chinese market are reported by several Indian exporters.

**Action taken to bridge the deficit**

4.6 **Steps taken to increase our exports to China:** Issues with regard to access to Chinese markets have been constantly discussed at the highest-level meetings. The proactive steps taken by the Government have resulted in resolution of many of the market access issues during the past two years as enumerated below:

- China and India signed the Protocol on Exports of Indian Rice to China in June 2018;
- In November 2018, the two sides signed the Safety and Hygiene Protocol for Export of Indian Fishmeal and Fish oil to China;
- In January 2019, the Protocol on Sanitary and Phyto-sanitary (SPS) Protocol on Export of Indian Tobacco leaves was signed; and
- The SPS Protocol on Export of Indian Chilli Meal to China was signed in May 2019.

4.7 It is, however, observed that despite the signing of these protocols, our exports in these items are yet to pick up to significant levels.

4.8 **Efforts made to capitalize on US-China Trade standoff:** The Committee was informed that the Department of Commerce has carried out an analysis of the US exports to China and the possible penetration of India into the market space that is likely to be vacated or displaced as a result of China's retaliatory tariffs. The Department has also identified the potential trade lines of strength for India to leverage these lines so as to take advantage of the tariff arbitrage. The Department undertook a series of meetings with the Export Promotion Councils and Trade Bodies, Indian exporters and other stakeholders to boost the specific lines where US products now face higher tariffs in China and where India is a strong
exporter. They were also being periodically sensitized on these identified lines. In coordination with our Embassy at Beijing, efforts are on to seize this opportunity to increase our exports to China.

4.9 The Committee notes that trade deficit has been moderating in recent years with the increase in exports to and decline in imports from China. The Committee, however, is deeply concerned by the huge trade deficit with China. The Committee also takes cognizance of the steps taken by the Department of Commerce to bridge the trade deficit. The Committee is hopeful that the continued efforts of the Department will result in further reducing the trade deficit and attaining a positive trade balance in the near future. The Committee recommends the Department of Commerce to further take necessary steps in this regard and also ensure that the trade protocols that have already been signed with China are strictly enforced.

4.10 The Committee also notes that India relies heavily on manufactured items from China. The Committee, therefore, recommends the Department for Promotion of Industry and Internal Trade to identify the imported manufactured items and provide necessary incentives/assistance to Indian industries to enable the domestic manufacture of these items so as to reduce our import dependence on and bridge the trade deficit with China as well as enable the export of these items to other countries.

EASE OF DOING BUSINESS

5.1 The Committee was informed that Department for Promotion of Industry and Internal Trade has taken up a series of measures to simplify and rationalize the regulatory processes to improve the business environment in the country.

5.2 The World Bank publishes a report 'Ease of Doing Business Report' which evaluates 190 economies with respect to 10 areas cutting across the business life cycle. As per the Report of 2019, India has improved its rank from 142nd in 2014 to 63rd in 2019. India is ranked 1st among South Asian countries as compared to its 6th position in 2014. India has improved its rank in 7 out of 10 indicators and has moved closer to international best practices.

5.3 A 218-point District Reforms Plan has been prepared in the year 2020 and shared with States and Union Territories (UTs) for implementation of reforms by all the districts. It is spread across 8 areas: Starting a Business, Urban Local Body Services, Paying Taxes, Land Reform Enabler, Land Administration and Property Registration Enabler, Obtaining Approval, Miscellaneous and Grievance Redressal/ Paperless Courts and Law & Order.
5.4 The Committee takes cognizance of the steps taken by the Department for improving the ease of doing business in India. The Committee, however, was informed that the initiatives taken for easing the business environment at the Centre level usually does not percolate to the State and local level as desired, leading to administrative and regulatory hurdles at the local level. The Committee, therefore, recommends that initiatives may be taken to sensitize officials/administrators at the State and district level on the need to expedite the setting up of and implementation of investment projects at the grassroot level. Further, the Committee may be apprised of the steps taken in this direction.

Starting a Business

5.5 India is ranked 136th out of 190 countries in Starting a Business in the World Bank’s Ease of Doing Business Report, 2019.

5.6 The Department for Promotion of Industry and Internal Trade informed the Committee that the World Bank’s Doing Business 2020 study reported that starting a business in India took an average of 18 days with 10 procedures. This involved obtaining digital signature certificate, reserving company name, preparing notarized affidavit, filing online form (for company incorporation, PAN, TAN, DIN), making company seal for bank account opening, registration for GST, EPFO, ESIC and Shops & Establishments separately, along with Professional Tax enrolment (for Maharashtra state). Due to these multiple registrations with different government agencies, total time taken earlier as analysed by World Bank study was 18 days.

5.7 For starting a business in New Zealand, an entrepreneur needs to file an online application to reserve a company name, fill company details, and registrations related to tax, director and shareholders. These services are integrated into a single online form, resulting in company's incorporation within a day.

5.8 With an aim to start a business quicker and easier, various reforms have been undertaken in India. Obtaining digital signature certificate has been made completely online, which can be done in about 2 hours. One of the major reforms is the introduction of new web-form ‘SPICe+ and AGILE-PRO’ which became effective from February 23, 2020. This integrates ten different services from three Central Ministries, one from State Government and 6 from Banks. These services are – Name reservation, Company incorporation, registration of PAN, TAN, DIN, EPFO, ESIC, GST & Profession Tax (Maharashtra) and opening of bank account. With this initiative, need to prepare and notarize affidavit, and requirement of putting
rubber stamp with company name have been eliminated. Registration under Shops & Establishment Act is also made completely online with zero fees. Implementation of these reforms in India is expected to considerably reduce time taken to start a business in India.

5.9 The Committee takes note of various reforms, undertaken by the Government to improve a business friendly environment in the country. The Committee is, however, of the view that there is an urgent need to further reduce the procedures and the time taken for starting a business. The Committee is hopeful that the newly introduced web-form, namely, ‘SPICe+ and AGILE-PRO’ will take us in this direction. The Committee recommends that concerted effort should be taken to integrate all Ministries, State Governments and all relevant stakeholders under the web-based system so that it can become a one stop solution for obtaining all required clearances for starting a business. The Committee further recommends that the web-based system be implemented to cover all the States at the earliest.

Getting Credit

5.10 The Committee was informed that to get credit for starting a business, the applicant needs to submit the loan application form with all the requisite documents to the financial institution after which the bank/financial institution may sanction the loan in 4 steps: (i) pre sanction scrutiny and inspection; (ii) appraisal; (iii) sanction; and (iv) documentation and disbursement. The time involved in the whole process varies from lender to lender depending on the quantum of loan applied and collateral security offered. Time may range from 7 to 10 days for a small business loan without collateral security to more than 10 days where quantum of finance is more and collateral security has been offered. DPIIT together with Department of Financial Services has facilitated getting credit in India by strengthening its collateral laws whereby all types of creditors can now register their security interest in all types of property on the central registry portal, namely, Central Registry of Securitisation Asset Reconstruction and Security Interest (CERSAI) and they get priority from the date of registration of the transaction details. India currently ranks 25th in the Getting Credit indicator in Ease of Doing Business. In order to improve our rank further, a central database is being implemented by integrating records of registration systems of Central/State Governments and other authorities with the records of central registry.

5.11 The Committee takes cognizance of the steps taken for easing the process of getting credit. The Committee, during its interaction with various industry bodies, however, observed that high cost of finance has
been one of the factors that hindered the competitiveness of domestic manufacturers in the global market. The Committee recommends to the DPIIT that facility for providing long term financing at a competitive rate may be worked out in-coordination with Department of Financial Services, Ministry of Finance. The option of channelizing insurance and pension funds for long term investment may also be explored.

5.12 Further, the Committee was informed that, MSMEs particularly, are facing difficulty in availing their credit requirement. Even when credit facilities are provided under various schemes, they find it hard to avail the benefit due to the lack of awareness about the scheme or difficulty in fulfilling the procedural niceties. The Committee, therefore, recommends that necessary handholding should be provided to the MSME sector to enable them to avail the financial benefits intended for them.

Getting Electricity

5.13 India’s rank in Getting Electricity is 22nd out of 190 countries in the World Bank’s Ease of Doing Business Report, 2019.

5.14 The Committee was informed that the process, cost and time for getting electricity in Delhi and Mumbai have been reduced further. The process for Delhi and Mumbai has been reduced to 3 steps from 5 steps in 2018, cost for Delhi to Rs. 15,000 from Rs. 46,500 and for Mumbai to Rs.12,100 per new connection from Rs. 60,000 and time for both Delhi and Mumbai to 15 days from 45 days and 48 days respectively in 2018. Now the Connection charges are to be paid by consumer in first electricity bill instead of following earlier process of estimation and generation of demand note by utility company. Further, actual time taken for obtaining electricity connection has come down as Delhi and Mumbai provide Right of Way (ROW) clearances within 3 days. In case of Delhi, ROW portal integrates all relevant agencies and for Mumbai, it integrates only Municipal Corporation of Greater Mumbai (MCGM) and other agencies are yet to join.

5.15 The World Bank Doing Business Report also measures the quality of supply of power through reliability of supply and transparency of tariff index. As per Tata Power Delhi Distribution Limited (TPDDL), System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) for Delhi are 2.83 and 1.88 respectively compared to earlier values of 4.59 and 2.55 respectively.

5.16 Similarly, as per Adani Electricity Mumbai Limited, improved values for SAIDI and SAIFI for Mumbai are 2.59 and 2.00 respectively compared to earlier values of 2.73 and 2.20 respectively. The Committee is pleased
to observe that notable progress has been made with regard to reducing the process, cost and time for getting electricity and also providing reliable supply of power to industries in Delhi and Mumbai. The Committee recommends that measures undertaken in these two cities may be replicated across the country, especially to industrial areas, so that a nation-wide improvement in getting electricity can be achieved.

Protecting Minority Investors

5.17 India is ranked 13th out of 190 countries in Protecting Minority Investors in the World Bank’s Ease of Doing Business Report, 2019. However, it has been reported that in the 2018 report, India's position was 7th.

5.18 The Committee was informed that the Doing Business methodology for protecting minority investors indicator is based upon data from a questionnaire administered to corporate and securities lawyers, based on securities regulations, company laws, civil procedure codes and court rules of evidence. The overall mechanism covers measuring by way of a questionnaire the extent of disclosure and approval requirements, the extent of director liability i.e., the ability to sue directors for damages and ease of shareholders suits – providing access to the shareholders to documents with other evidence for trial. The investors have access to all necessary documents and resolutions decided by the Board available in public domain as stated in Section 184(2) of the Companies Act, 2013. With the insertion of the National Company Law Tribunal (Second Amendment) Rules, 2019, shareholder holding 5 per cent of the issued capital or 100 shareholders can hold the Directors liable for the damage the transaction has caused to the buyer.

5.19 The Committee expresses its concern over the slip in the country's position in this aspect. The Committee is of the opinion that even a small slip in its ranking at this juncture would have a large impact on investment by minority investors. The Committee, therefore, urges the government to work with the stakeholders to rededicate themselves for protection of minority investors.

Registering Property

5.20 India is ranked 154th out of 190 countries in Registering Property in the World Bank’s Ease of Doing Business Report, 2019.

5.21 The Committee was informed that the process of registering property in India includes conduction of title search, other encumbrances, final sale deed preparation, payment of stamp duty, execution of final sale deed, mutation and application for name change in land records.
5.22 In comparison to country like New Zealand, it takes higher cost and longer days while registering property in India because of the greater number of steps, high rate of stamp duty (6 per cent in Delhi, 5 per cent in Mumbai), manual processes due to non-availability of digitised land records and cadastral maps, etc. With the help of the *Integrated Registering Property Portals* in Mumbai and Delhi, the process of registering property in India has become easier and faster. In Mumbai and Delhi, the land records can be easily accessed online through Integrated Registering Property Portals.

5.23 The Committee observes that registering property for industrial purposes is a cumbersome and costly process in India, which is reflected by the country's 154th position on this parameter in Ease of Doing Business Report. The Committee recommends that the number of steps involved in registering a property should be reduced and an online single window portal for registering property which integrates multiple authorities/agencies and other relevant stakeholders should be created. Further, all land records and the required cadastral maps should be prepared and fully digitized in all States. The stamp duty rate for registering property should be appropriately decreased to a level comparable to other competing countries.

**Dealing with Construction Permits**

5.24 India is ranked 27th out of 190 countries in Dealing with Construction Permits in the World Bank’s Ease of Doing Business Report, 2019.

5.25 The Committee was informed that India has made remarkable progress in Construction Permits regulations and has made it convenient, less time consuming and less costly to obtain construction permits.

5.26 Construction Permits are required at three distinctive stages of construction- (i) Before starting construction; (ii) During construction; and (iii) After construction. The permits required before the start of construction are submission of design plans, requisite documents and payment of fees. During construction permits like plinth level inspection approvals and plinth level completion certificates are required. After construction, completion certificate approvals and other utilities connection approvals vis-à-vis water and sewerage and fire approvals are required after their inspection has been completed.

5.27 DPIIT along with Ministry of Housing and Urban Affairs in consultation with the respective State Governments have taken various measures to reduce the procedures, time and cost involved in construction permits. With the introduction of integrated Online Building Permission System, most of the procedures that required physical visits to department
office have been eliminated and as a result, there has been considerable reduction of process, time and cost. All “No Objection Certificates” request and issuance are now online for both Delhi and Mumbai. The cost of utilities vis-à-vis fire approval in Mumbai and water and sewerage in Delhi has been considerably reduced through reforms. Further as a result of reforms for obtaining construction permits, now all certificates related to plinth level completion and further commencement and building completion certificates are being issued online. Introduction of Risk Based Classification of buildings have further simplified the process of obtaining construction permits.

5.28 The Committee observes that notable reforms have been undertaken with regard to dealing with construction permit. It is, however, observed that most of the reforms undertaken are confined to Delhi and Mumbai. The Committee recommends that the reform measures should be implemented across India. Further, the Committee recommends that all procedures with regard to construction permit be made fully online and physical process be eliminated.

Resolving Insolvency

5.29 India is ranked 52nd out of 190 countries in Resolving Insolvency in the World Bank’s Ease of Doing Business Report, 2019.

5.30 The Committee was informed that as per Section 12 of the Insolvency and Bankruptcy Code, 2016 as amended by the Insolvency and Bankruptcy Code (Amendment) Act, 2019, insolvency resolution process shall be mandatorily completed within 330 days from the insolvency commencement date. The process/steps involved in disposal of Insolvency Dispute are as follows:

(i) On a minimum default of Rs.1 lakh by a corporate debtor, the creditor or the debtor itself may initiate CIRP (Corporate Insolvency Resolution Process) in respect of such corporate debtor by filing an application with the Adjudicating Authority (AA), i.e. the National Company Law Tribunal (NCLT).

(ii) The financial creditor and the corporate debtor initiating the CIRP need to propose the name of an Interim Resolution Professional (IRP) in the application.

(iii) The AA admits the application within a period of 14 days of its receipt if it is in order. It may reject an application after giving the applicant an opportunity to rectify the defect in the application. Once admitted, CIRP commences on the date of admission and needs to be completed within 330 days from this date.
5.31 The Committee recommends the Ministry of Corporate Affairs to ensure that the prescribed time period for completion of insolvency resolution process under Section 12 of the Insolvency and Bankruptcy Code, 2016 as amended by the Insolvency and Bankruptcy Code (Amendment) Act, 2019 are strictly adhered to by relevant stakeholders. The Committee further recommends that international best practices for resolving insolvency issues are incorporated under the Insolvency and Bankruptcy Code, 2016 from time to time.

Paying Taxes

5.32 India is ranked 115th out of 190 countries in Paying Taxes in the World Bank’s Ease of Doing Business Report, 2019.

5.33 The Committee was informed that with regard to the payment of taxes, 12 payments are made under various heads, namely, corporate income tax, social security contributions, dividend tax, employees state insurance contribution, payment made for property taxes, employer paid - profession tax enrolment (for Mumbai), payments made to labour welfare fund, Vehicle tax, employee paid - profession tax registration, Central GST and Fuel tax. However, in order to ease the compliance process, the new GST filing system is under development which will provide enhanced features to drastically reduce the time taken in furnishing the returns.

5.34 The Committee is of the view that there is a need for simplifying the taxes and making it taxpayer friendly. The Government should, therefore, evolve a mechanism to streamline the way for efficient and error free filing of returns. Further, adequate provision should be built in to curb tax evasion.

Enforcing Contracts


5.36 The Committee was informed that the Department for Promotion of Industry and Internal Trade is in active consultation with Department of Justice for the effective measures to be taken for the expeditious resolution of Commercial Disputes.

5.37 It was also informed that the Commercial Court Act, 2015 (amended in 2018) has been enacted to deal with the Enforcing Contract/Commercial Disputes in India. The amended Commercial Court Act now provides for the constitution of commercial courts at a district level and provides for commercial divisions (in all High Courts having ordinary civil jurisdiction) and commercial appellate divisions in each High Court for the adjudication. To adjudicate maximum number of commercial disputes at district level, the
pecuniary limit has been reduced to 3 Lakh from earlier one crore. Further, Alternative Dispute Resolution Mechanism by way of Pre- Institution of Mediation & Settlement scheme has also been placed in system to resolve commercial dispute amicably among the parties. In Delhi and Mumbai, dedicated commercial courts have been set up at district level which is expected to reduce the time taken for resolution of commercial disputes.

5.38 Advisory has been issued to commercial courts for maximum of 3 adjournments. Commercial Courts Data Rules has been amended in April, 2020 for granular data for higher accountability of Judicial Officers. Commercial cases now randomly/ automatically assigned due to which human intervention is totally eliminated and transparency has been ensured. Case management hearing has been successfully institutionalized and court decrees have now been passed making attorney/court fees payable to successful party. E-filling along with e-summons has been started to do the needful without physical movement, along with availability of electronic case management tools for both judges and lawyers, as they can now electronically access to the information while sitting at any place.

5.39 The Committee is deeply concerned to note that India ranked 163rd in Enforcing Contracts as per the World Bank’s Ease of Doing Business Report, 2019. The Committee, therefore, recommends the Department for Promotion of Industry and Internal Trade in coordination with the Department of Justice to take concerted effort for the expeditious resolution of commercial disputes. The Committee further recommends that steps should be taken for simplifying litigation processes and procedures, providing fixed time lines for resolution of disputes and expediting the utilization of IT processes of courts and digitizing court records.

Trading Across Borders

5.40 India is ranked 68th out of 190 countries in Trading Across Borders in the World Bank’s Ease of Doing Business Report, 2019. The Committee was informed that as per the report, for an export consignment, it takes on an average 52 hours for border compliance and 12 hours for documentary compliance to reach the intended destination. For an import consignment, average time taken is 65 hours for border compliance and 20 hours for documentary compliance to reach the intended destination.

5.41 The Committee recommends the Government to take necessary measures for further easing the flow of goods and reducing the time taken for both border and documentary compliance across borders.
ISSUE OF LAND ACQUISITION

6.1 The Committee was informed that land acquisition has always been a complex and expensive process leading to project delays, cost escalation and sometimes shelving of project. Further, high cost impacts the viability of the project, the competitiveness of manufacturing, impeding investment and exports. As land is a State subject and acquisition and requisitioning of property is under the Concurrent List, both the State Governments and Central Government have the power to legislate on land leading to varying land law across the States.

6.2 The Committee strongly feels that a long-term solution to the land issue needs to be worked out in a structured manner. The Committee, therefore, recommends the Government to constitute an Empowered Committee of State Ministers and the concerned Central Ministers for discussing the issues with regard to land acquisition and build a consensus on land reforms, in consultation with industry and other stakeholders. The said Empowered Committee should look into issues relating to land acquisition policies, digitization of land records and simplifying administrative procedures like registration and land use conversion. Further, the possibility of having a land bank which will be made readily available for developmental projects may be discussed with concerned stakeholders.

LOGISTICS ISSUES

7.1 Logistics holds critical importance in the smooth functioning of the economy by connecting producers with consumers and marketplaces with suppliers. The Department of Commerce informed the Committee that the Indian logistics industry is valued at USD 215 billion and employs up to 40 million people. The sector is essential to position the national economy on a high growth trajectory to realize India’s aspiration to become a USD 5 trillion economy by 2024-25 and to build ‘Aatmanirbhar Bharat’ – a self-reliant India.

7.2 Over the past few years, India has made significant progress by building logistics infrastructure and carrying out various regulatory and structural reforms. The steps taken to enhance the warehousing capacities and transport infrastructure across modes under various schemes such as the Pradhan Mantri Gram Sadak Yojana, industrial and dedicated freight corridors, Bharatmala and Sagarmala projects, Jal Marg Vikas and UDAN provide enabling infrastructure for logistics.
Logistics Performance Index

7.3 The Logistics Performance Index (LPI) released every two years by the World Bank is one of the most widely referred reports used to assess logistics performance. The index aggregates score on six dimensions of trade which are as follows:

- The efficiency of customs and border management clearance ("customs").
- The quality of trade and transport infrastructure ("infrastructure").
- The ease of arranging competitively priced shipments ("ease of arranging shipments").
- The competence and quality of logistics services—trucking, forwarding, and customs brokerage ("quality of logistics services").
- The ability to track and trace consignments ("tracking and tracing").
- The frequency with which shipments reach consignees within scheduled or expected delivery times ("timeliness").

7.4 On the Logistics Performance Index, India was ranked 44 out of 160 countries in 2018 as compared to 54 in 2014 as shown below.

<table>
<thead>
<tr>
<th>Year</th>
<th>LPI Rank</th>
<th>LPI score</th>
<th>Customs</th>
<th>Infrastructure</th>
<th>Ease of arranging Shipments</th>
<th>Quality and competence</th>
<th>Tracking and Tracing</th>
<th>Timeliness</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>44</td>
<td>3.18</td>
<td>2.96</td>
<td>2.91</td>
<td>3.21</td>
<td>3.13</td>
<td>3.32</td>
<td>3.50</td>
</tr>
<tr>
<td>2016</td>
<td>35</td>
<td>3.42</td>
<td>3.17</td>
<td>3.34</td>
<td>3.36</td>
<td>3.39</td>
<td>3.52</td>
<td>3.74</td>
</tr>
<tr>
<td>2014</td>
<td>54</td>
<td>3.08</td>
<td>2.72</td>
<td>2.88</td>
<td>3.20</td>
<td>3.03</td>
<td>3.11</td>
<td>3.51</td>
</tr>
</tbody>
</table>

Source: World Bank

High logistics Cost

7.5 The Department of Commerce informed the Committee that reducing the high logistics costs in India is a matter under the top priority of the Government. Several reasons such as unfavorable policy regime, lack of a multimodal transport system and the consequent heavy reliance on road transport, fragmented storage infrastructure, the presence of multiple stakeholders in the entire transport and storage value chain, poor quality of road and port infrastructure, and absence of technology intervention in storage/transportation and distribution activities are cited for the high logistics costs in India. These high logistics costs inevitably have an adverse effect on the country’s competitiveness in the globalized world.
7.6 Although, there is no official estimate of the logistics cost in India, Bowersox et al. calculated the logistics cost as a percentage of GDP roughly at 17.4 per cent for 2002. Armstrong & Associates Inc. have provided estimates of logistics costs of all the major and emerging economies of the world. The study estimated that logistics cost in India is 13 per cent of GDP which is higher than that observed for most developed countries (<10 per cent). A study conducted by the National Council of Applied Economic Research (NCAER) has estimated India’s logistics costs at 8.10% of GDP for the year 2017-18.

7.7 The Department informed the Committee that the logistics cost varies depending on the nature of the products and it is generally observed that low value items or bulk items, especially agriculture sector, have higher logistics costs as shown below:

**Sectoral distribution of logistics cost for 2019**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Sectors</th>
<th>Transport Cost</th>
<th>Total Logistics Costs</th>
<th>GVA at Basic Price</th>
<th>Logistics Costs as Per cent of GVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Agriculture and Allied</td>
<td>265765</td>
<td>528615</td>
<td>2447239</td>
<td>21.60</td>
</tr>
<tr>
<td>2.</td>
<td>Mining and Quarrying</td>
<td>35113</td>
<td>42136</td>
<td>377628</td>
<td>11.16</td>
</tr>
<tr>
<td>3.</td>
<td>Food, Beverage and Tobacco Products</td>
<td>28677</td>
<td>56890</td>
<td>462892</td>
<td>12.29</td>
</tr>
<tr>
<td>4.</td>
<td>Textile, Wearing Apparels and Leather Products</td>
<td>14879</td>
<td>29487</td>
<td>372665</td>
<td>7.91</td>
</tr>
<tr>
<td>5.</td>
<td>Ferrous &amp; Non-Ferrous Metal, and Metal Products</td>
<td>39121</td>
<td>58681</td>
<td>380694</td>
<td>15.41</td>
</tr>
<tr>
<td>6.</td>
<td>Consumer Electronics, Electronic Components, incl. Computer, etc.</td>
<td>1010</td>
<td>2040</td>
<td>48664</td>
<td>4.19</td>
</tr>
<tr>
<td>7.</td>
<td>Machinery and Equipment</td>
<td>49643</td>
<td>97109</td>
<td>540177</td>
<td>17.98</td>
</tr>
<tr>
<td>9.</td>
<td>Drugs and Medicines</td>
<td>1489</td>
<td>2951</td>
<td>98679</td>
<td>2.99</td>
</tr>
<tr>
<td>10.</td>
<td>Cement</td>
<td>2966</td>
<td>5873</td>
<td>45295</td>
<td>12.97</td>
</tr>
<tr>
<td>11.</td>
<td>Other Non-Metallic Mineral Products</td>
<td>5487</td>
<td>10873</td>
<td>115686</td>
<td>9.40</td>
</tr>
<tr>
<td>12.</td>
<td>Wood and Wood Products</td>
<td>1072</td>
<td>2112</td>
<td>37636</td>
<td>5.61</td>
</tr>
<tr>
<td>13.</td>
<td>Other Manufacturing</td>
<td>6110</td>
<td>12446</td>
<td>223606</td>
<td>5.57</td>
</tr>
<tr>
<td>14.</td>
<td>Construction</td>
<td>82304</td>
<td>123456</td>
<td>1530234</td>
<td>8.07</td>
</tr>
<tr>
<td>15.</td>
<td>Electricity, Gas and Water Supply</td>
<td>5847</td>
<td>8920</td>
<td>445792</td>
<td>2.00</td>
</tr>
<tr>
<td>16.</td>
<td>Other Services</td>
<td>191773</td>
<td>287659</td>
<td>7156601</td>
<td>4.02</td>
</tr>
<tr>
<td></td>
<td>Aggregate</td>
<td>762300</td>
<td>1325738</td>
<td>14945714</td>
<td>8.87</td>
</tr>
</tbody>
</table>

**Logistics Costs as Per cent of GDP at market price (Per cent): 8.10**

*Source: NCAER (2019)*

7.8 The Committee observes that the costs of logistics are distressingly high in various sectors as shown in the table above. The Committee notes that one of the reasons for the high logistics cost is
insufficient and poor-quality warehousing infrastructure and inefficient inventory management resulting in loss of perishable goods. The Committee, therefore, recommends that the warehousing infrastructure should be upgraded to meet the increasing requirements of various sectors and inventory management should be improved through increased digitization and automation of the process. The Committee further recommends that the availability and efficiency of refrigerated transport, storage and processing facilities for medical and agricultural goods should be improved. The Committee also recommends that warehousing and distribution centres should be strategically located to ensure a quick and easy access to transport network as well as cover large areas of consumer demands so as to shorten lead time and increase service area of distribution.

Challenges in logistics sector

7.9 The logistics sector has not been able to keep pace with requirements of the economy of the country. Besides, a significant reason which limits Indian industry competitiveness in the international market is high logistics cost. The main reasons which impact efficiency in the logistics sector are as follows:

7.10 *Informal and Fragmented Nature:* India’s logistics landscape is highly fragmented with a few large organised players and many small informal service providers. This results in a very complex ecosystem of asset owners and small operators. The road transport and warehousing space is populated with highly fragmented ownership, with fleets of fewer than five trucks constituting over 90 per cent of goods vehicles on the road. The resulting lack of consolidation in operations is a key impediment in the adoption of integrated inter-modal transport, investments in modern technology/digital solutions to meet emerging customer requirements and skilling to meet higher performance standards. Overall, the logistics sector operates in a low trust environment with a multiplicity of stakeholders, their differing points of view, competing needs and wants. The Committee recommends the Department of Commerce to take steps towards the consolidation and formalization of the fragmented logistic landscape. The Committee further recommends that necessary incentives should be provided to logistic operators to enable them to undertake the required technological and skill upgradation to meet the changing demands in the logistics sector.

7.11 *Sub-Optimal modal share:* The current modal mix includes 60 per cent freight cargo carried by road, 33 per cent by rail and 7 per cent by coastal shipping and inland waterways. The Committee is of the view that
the improvement of the railway and inland waterways/coastal shipping infrastructure is vital for increasing their share in the overall transport system in the country. The Committee, therefore, recommends that the capacity of railway network should be increased by improving railway infrastructure, building reinforced bridges and expediting the construction of industrial corridors. The Committee further recommends that the implementation of Bharatmala and Sagarmala projects should be expedited and completed at the earliest.

7.12 Lack of an integrated approach by user sectors: Multiple line ministries and agencies, both at the Central and State levels, are independently involved with planning, development and maintenance of varied infrastructure for logistics as well as the related service or operating models. The Committee notes that the Logistics Division under the Department of Commerce has been assigned the task of the "Integrated Development of Logistics Sector" in the country. The Committee, therefore, recommends the Department of Commerce to take concerted measures to ensure coordination and integration among various Ministries, agencies and other stakeholders at the Central and State level to streamline the logistics sector.

7.13 Absence of consistent policies and regulations: Multiplicity of institutions and agencies at the central and state levels providing policy and regulatory oversight in the logistics space and international trade often leads to cumbersome processes and delayed decision-making. It impacts logistics efficiency with increased compliance costs for logistics providers. The Committee was informed that the Logistics Division is in advance stage of developing the National Logistics Policy, 2020, for integrated development of the sector. The Committee, therefore, recommends the Department of Commerce to finalize the formulation of the policy at the earliest in order to provide consistency in policy and regulation in the logistic sector.

7.14 The Committee was also informed that the Logistics Division is also drafting a National Logistics Act which would replace the Multi Modal Transportation of Goods Act, 1993. The Committee, therefore, recommends the Department of Commerce to expedite the enactment of the Act at the earliest in order to provide a national framework for efficient governance of the logistics sector in India and enhancing its competitiveness.

7.15 Barrier to free movement of goods across country: Free movement of goods is an essential necessity for a robust trade and export potential of the country. The Committee observes that the barriers to free movement of
goods across the country have hindered trade and export. The issue became more acute during the COVID-19 pandemic wherein transport vehicles were facing problems due to the varying rules and regulations of different states. The Committee, therefore, recommends that a pan India travel pass may be issued by a central agency to trucks and other transport vehicles that are carrying goods for export to enable their seamless travel throughout the country. The Committee further recommends that feasibility of providing designated trains, which could be used only for carrying goods for export purposes, for transport of goods between export product clusters and ports may be explored.

AUTOMOBILE INDUSTRY

Overview of the Industry

8.1 The automobile industry is one of the key drivers of the Indian economy. Since the liberalization of the sector in 1991 and allowing 100 per cent FDI through automatic route in 2001, Indian automobile sector has come a long way. Today, there is a presence of almost every global auto manufacturer in the country. All categories of vehicles like two-wheeler, three wheelers, passenger cars, light commercial vehicles, trucks, buses, tractors, heavy commercial vehicles, etc. are produced in India. India is the largest manufacturer of passenger cars in the world. The manufacturing of automobiles including truck, buses, cars, three wheelers/two wheelers, etc. in automobile industry today is USD 119 billion. Automobile industry turnover constitutes 7.1 per cent of GDP, 27 per cent of Industrial GDP and 49 per cent of Manufacturing GDP and provides about 37 million direct and indirect jobs. The current annual sale of vehicles is about 26 million.

Performance of the Automotive Sector

8.2 The Committee was informed that the Indian automotive industry in the year 2020 witnessed its worst performance in the last 20 years. The auto industry witnessed a decline since 1st quarter of 2019-20 as shown below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Rate</td>
<td>-12%</td>
<td>-22%</td>
<td>-13%</td>
<td>-26%</td>
<td>-75%</td>
</tr>
</tbody>
</table>

Source: SIAM

8.3 During interaction with the automobile industry associations, the Committee was informed that the reason for the poor performance of the Indian automotive industry in the year 2020 was due to various factors such as high purchasing cost, liquidity crisis with Non-Banking Financial Companies (NBFC), slowing down of the economy and the resulting muted demand, transition from BS-IV to BS-VI, increase in cost of vehicles,
revision of axle load norms, lower rural consumption and COVID-19 pandemic.

8.4 The Committee was informed that the automotive industry is heavily dependent on imports. It was submitted that during 2018-19, the automotive industry imported components and raw materials worth about USD 17.7 billion, mostly from Asian and European countries. The top components and raw materials imported during the period are listed below:

- Drive Transmission & Steering
- Engine Components
- Electricals & Electronics
- Body/Chassis
- Interiors (Non-Electronics)
- Suspension & Braking
- Consumables & Misc
- Cooling System
- Rubber Components

8.5 The Committee was also informed that the Indian automotive industry depends on imports due of the following reasons:

- Higher quality of imported items
- Better import price due to economies of scale and automation
- Low volume requirements of specific components / materials in India, does not make a business model for producing in India
- Limitations of technology with local suppliers in some areas

8.6 The Committee takes note of the automobile industry as a key driver of the economy. The Committee is distressed to note that the automotive industry has registered a negative growth rate for five quarters in a row during 2019-20 and 2020-21. The Committee also notes with concern that the industry is heavily dependent on imports which it feels needs to be addressed immediately. The Committee, therefore, recommends a three-pronged approach to address the issues faced by automotive industry, build domestic capacity and attract investment.

8.6.1 Boosting Domestic Demand

(i) The rate of GST should be reduced from 28 per cent to 18 per cent for all categories of vehicles and auto components; and

(ii) An incentive-based vehicle scrappage scheme should be introduced at the earliest.
8.6.2 Export Promotion

(i) Invest in brand building and promote Indian brands in the international market;

(ii) Exploring and pursuing prospective markets such as Algeria, Nigeria, Uganda, Kenya, South Africa, Egypt, Ethiopia, Indonesia, Vietnam, etc. and signing FTAs/FTPs with these countries. Supporting countries in developing an automotive industry policy, technical regulations and testing facilities for vehicles will give India an advantage in these markets;

(iii) RoDTEP compensation rates for vehicles should be made higher or at least at the same level provided under MEIS scheme; and

(iv) Continued dialogue with policymakers of countries such as Bangladesh, Nepal, Sri Lanka and many African countries which are importers of second-hand vehicles to highlight concerns about using refurbished vehicles and dissuading them from importing the same.

8.6.3 Improving Ease of Doing Business

(i) Ease of doing business should be improved, and the cost of doing business in the country needs to be reduced;

(ii) At present, multiple Ministries and Departments are involved in making regulations for the automobile industry. A dedicated Department/Ministry should be created/assigned which will be the sole regulator of the industry;

(iii) A single window facility for getting all the required approval and clearances for setting up manufacturing facility should be provided. Further, easy and preferential clearances should be provided for imports of equipment, machinery and other necessary items for setting up and commencing manufacturing in the country; and

(iv) Land required for setting up manufacturing plant and uninterrupted electricity at subsidized rate should be provided.

Electric Vehicles

8.7 On enquiring about the schemes, incentives and policy that are in place for promotion of electric vehicles, the Department of Heavy Industry informed the Committee that it has been implementing a scheme, namely, Faster Adoption and Manufacturing of Electric Vehicles in India (FAME India Phase-II) from April, 2019 to March, 2022. The scheme mainly focuses on supporting electrification of public and shared transportation,
and aims to support, through demand incentives, approximately 7000 e-Buses, 5 lakh e-three Wheelers, 55000 e-four Wheeler Passenger Cars and 10 lakh e-two Wheelers. In addition, creation of charging infrastructure is also supported to address range anxiety among users of electric vehicles.

8.8 The Department further informed that it has sanctioned 2887 charging stations in 68 cities across 25 States/UTs. Letters of Award are being issued to the selected entities after ensuring the availability of land for charging stations, signing of necessary agreements/MoUs with concerned partner organizations, like city municipal corporations/Discoms/Oil companies, etc. Letters of award for 1606 charging stations have been issued as on 6th November, 2020.

8.9 During an interaction with automobile industry association, the Committee was informed that the electric vehicle ecosystems faces challenge on three fronts – 'charge anxiety', 'range anxiety' and 'price anxiety'. The Committee was also informed that the industry has recently come up with many promising products which can achieve a range of more than 250 kms on a single charge, which will address the range anxiety.

8.10 The Committee was also informed that the performance of the FAME II scheme has not been satisfactory as shown below.

8.11 The Committee is distressed to note the poor performance of the FAME-II scheme. The Committee observes that the sale of electric vehicles (EVs) across all segments during 2019 has not been satisfactory. The Committee recommends the Department of Heavy Industry to furnish the reasons for the poor performance of the scheme and take concerted effort to achieve the intended target within the specified time frame.

8.12 The Committee notes that the Department of Heavy Industry has taken measures to address the issue of charge anxiety and range anxiety. The Committee, however, is of the opinion that the current installation of charging infrastructure will be far from adequate to meet
the charging requirement of the expanding EV sector. The Committee, therefore, recommends the Department to expedite the installation of charging stations across the county.

8.13 The issue of price anxiety remains a critical issue that needs to be addressed for creating a vibrant EV environment in India. To address the issue, the Committee recommends the Department of Heavy Industry to act on the following:

(i) Generate demand volume for the EV battery systems through increasing uptake of EVs in the public transportation system so that the battery industry will achieve the required economies of scale;

(ii) A Battery/Cell Manufacturing Policy should be formulated to provide a stable and long term road map for the manufacturing of batteries; and

(iii) Incentivise the development and manufacture of EV parts and charging systems, including various electronic components. In this regard, support should be provided for investments in developing green-field projects for development of common child parts for the EV industry and also integrate development of electronic components required not only for auto sector but also for the consumer goods.

Research and Development

8.14 Research & Development (R&D) is a continuous process in the automotive industry in order to make available world class products in the market. Auto industry will need to continue to innovate and bring in products and features which are acceptable to customer and the society.

8.15 The Committee was apprised about India’s capability in the field of R&D wherein it was informed that it has the ability to become top global innovation player in fields involving automotive parts and new automobile technologies. In-house research and development facilities have become a necessity for keeping up with the pace of innovation efforts being made by the global counterparts of Indian auto component manufacturers. Presently, weighted deduction benefit in R&D has been reduced from 200 per cent to 100 per cent from 1st April 2020 under section 35(2AB) of the Income Tax Act, 1961 for in-house research and development facility.

8.16 The Committee opines that adequate support needs to be provided to industries for conducting research and innovate their products so that they remain competitive in terms of design and cost in the domestic as well as global markets and also decrease our
dependence on countries like China, Japan, etc. for automotive parts. The Committee, therefore, recommends that the weighted deduction provided on expenditure related to R&D activities u/s 35(1) should be increased to 200 per cent from the current rate of 100 per cent. The Committee further recommends that the benefit of weighted deduction of R&D expenses should also be allowed where contribution is given to third party R&D service providing companies and also for expenses incurred outside like testing fee and consultancy fee.

8.17 The Committee was informed that it is significantly difficult for small manufacturers of auto components to avail benefits under section 35(2AB) due to extensive compliance and approval procedure. To motivate spending on in-house R&D by small manufacturers, the Committee recommends that an additional benefit by way of increasing the existing weighted deduction, over and above the recommended 200 per cent, be provided for small manufacturers.

8.18 The Committee was informed that there exists ambiguity on whether roads constructed for test tracks are to be regarded as plant and machinery for allowing weighted deduction under section 35(2AB) of the Act. Further, there is ambiguity on whether essential and integrated R&D expenses, such as expenses on development of prototype, etc. should be allowed deduction. The Committee recommends that the existing ambiguity should be clarified at the earliest and that the above mentioned activities be allowed for weighted deduction under section 35(2AB) as these activities are part of the R&D process.

8.19 The Committee was informed that the Government, through National Automotive Testing and R&D Infrastructure Project (NATRIP) has invested and has set up state of art vehicle testing facilities at International Centre for Automotive Technology (ICAT), Manesar; Automotive Research Association of India (ARAI), Pune; National Automotive Test Tracks (NATRAX), Indore and Global Automotive Research Centre (GARC), Chennai. These centres have comprehensive facilities to undertake all testing and development programmes. The Committee recommends that these centres are provided adequate grants to enable them to undertake research in cutting edge technologies in automotive sector, which can then be commercially made available to the Industry for adoption.

PHARMACUTICAL INDUSTRY

Overview of the Industry

9.1 Indian pharmaceutical industry is the 3rd largest in the world by volume and 14th largest in terms of value. India contributes 3.5 per cent of
total drugs and medicines exported globally. India is the largest supplier of low-cost generics, vaccines and affordable HIV vaccines. India is the source of 60,000 generic brands across 60 therapeutic categories & manufactures more than 500 APIs. Drug formulations & biologicals occupy third position among the principal commodities exported by India.

9.2 Total size of the Indian pharma industry (drugs & medical devices) is around USD 51.3 billion in 2019-20 and is currently having a growth rate of 10-12 per cent in drugs sector and 12-15 per cent in medical devices sector. Total exports are to the tune of USD 23.11 billion, with drugs contributing around 89 per cent of the total exports. Imports form around USD 12.1 billion, with medical devices contributing USD 6.7 billion.

**API/Bulk Drugs**

9.3 The Committee was informed that the Indian API market has shown steady growth of 8.6 per cent since Financial Year 2015-16 and is expected to further grow owing to an increased focus on newer geographies in the global pharmaceutical industry, transition to specialty segments and strong domestic demand.

9.4 India imported around Rs. 249 billion worth of bulk drugs in FY 2018-19 with a year-on-year increase of around 30 per cent over FY 2017-18. It was also informed that most of the APIs and Intermediates are imported from China. China accounted for 68 per cent of India’s API imports in FY 2019-20.

**Addressing the import dependence: A step towards Atmanirbhar Bharat**

9.5 The Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers informed the Committee that pharmaceuticals are identified as
one of the champion sectors which contribute substantially to manufacturing GDP in the country.

9.6 With a view to attain self-reliance and reduce import dependence in APIs/ Bulk drugs, the Department of Pharmaceuticals had prepared two schemes, viz. (i) “Production Linked Incentive (PLI) Scheme for promotion of domestic manufacturing of critical Key Starting Materials (KSMs)/ Drug Intermediates (DIs) and Active Pharmaceutical Ingredients (APIs) In India”; and (ii) Promotion of Bulk Drug Parks, which were approved by the Union Cabinet on 20.03.2020. The said Schemes were launched and guidelines were released on 27\textsuperscript{th} July, 2020 by the Department. The implementation of these schemes has started.

9.7 The Committee is deeply concerned at the heavy dependence on China for APIs/ Bulk drugs. The Committee opines that any disruption in the supply of these critical ingredients can have adverse impact on drug security, which is also linked to the overall economy of the country and, therefore, need to be addressed swiftly. The Committee is hopeful that the two schemes, \textit{i.e.}, PLI and Promotion of Bulk Drug Parks will help India in attaining self-sufficiency in manufacturing of APIs/bulk drugs.

9.8 The Committee observes that it will take time for the newly announced API parks to initiate production and that the industry cannot wait for such parks to start production. In view of this, the Committee recommends that the benefits under the two new schemes may be extended to existing API plants, plants undergoing expansion and also new standalone API plants which are coming up. This will help in achieving self-sufficiency and reducing import from China in the short term.

9.9 The Committee was informed that the Indian Pharmaceutical Industry has been sourcing its requirements of chemical intermediates of bulk drugs in large quantities from China. The Committee opines that there is an urgent need to support the chemical intermediate manufacturers in order to promote the manufacturing of APIs from domestically produced intermediates. The Committee, therefore, recommends that the incentives on the line of the PLI schemes may be extended to domestic chemical intermediate manufacturers.

9.10 The Committee further recommends that a single window clearance facility with faster regulatory clearances be accorded to the API parks. In addition to the financial incentives, other incentives such as subsidy on interest rates and cheaper rate on gas/electricity, which is on par with competing countries, may be provided to the API parks.
9.11 The Committee feels that the domestic production of drugs will increase in the near future with the anticipated success of the newly announced schemes. The Committee, therefore, recommends the Department of Pharmaceuticals to take steps for expanding export to underpenetrated markets such as Japan, Latin America and Indonesia in consultation with Department of Commerce for boosting exports of bulk drugs.

9.12 The Committee notes that pharmaceutical industry is one of the most polluting industries and is accordingly subjected to stringent restrictions due to environmental concerns. In view of the need to balance the environmental concerns of our country and the urgent requirement of promoting domestic manufacturing of drugs, the Committee recommends the following:

(i) To help the pharmaceutical industries meet demand during period of high demand, an increase in 15 per cent over the approved pollution load may be allowed for a particular month. Further, the requirement of environmental clearance for additional pollution load may be insisted only when a particular plant exhibit an increase in pollution for six consecutive months;

(ii) A time bound approval system for grant of Consent to Establish/Consent to Operate/other approvals, etc. from the date of submission of complete application may be developed by the State Pollution Control Boards; and

(iii) The Environmental Clearance should be given for total permissible quantity of API or Drug Intermediates, with the quantum of approved pollution load.

9.13 The Committee was informed that multiplicity of notifications regarding changes in labeling requirements and implementation of Quick Response (QR) code and lack of clarity on implementation creates confusion to the industry. The Committee, therefore, recommends that consolidation and harmonization of requirements and processes regarding labeling and QR codes are carried out at the earliest and that sufficient time for implementation may be provided to industries to comply with the process.

9.14 The Committee was informed that a robust system of track and trace has not been fully developed in the domestic pharmaceutical market. The Committee recommends the Department of Pharmaceuticals to work with industry associations to develop/procure the required software and hardware and stringently implement the
system of track and trace to tackle the issue of spurious/counterfeit drugs. The Committee further recommends that necessary support be provided to MSMEs for installation of the system.

Research & Development (R&D)

9.15 Pharmaceutical industry is a knowledge intensive industry and needs continuous development of new chemicals/biological entities, updating/improvement in the processes, develop new drug delivery systems, etc. to remain competitive. To sustain its edge in domestic and export markets, Indian pharmaceutical industry has to invest continuously in R&D. Besides, academia-Industry linkage has been identified as a basic requirement for translating research into development (commercialization) and innovation.

9.16 The Committee was also apprised about the various bottlenecks in conducting R&D in India which include regulatory hurdles in commercialization of emerging products such as biologics and biosimilars. The Committee was informed that it required 32 permissions for the commercialization of such product which is way above what is required in other competing countries. Further, it was informed that the R&D expenses by industries in India are about 8.4 per cent of their total sales value which is below the global level of 11-12 per cent.

9.17 The Committee notes that the promotion of R&D and innovation in the pharmaceutical industry is critical for country's domestic industries to remain competitive in the global market and attract investments in the field. The Committee, therefore, recommends that the following measures should be taken for creating a vibrant R&D ecosystem in India:

(i) Any breakthrough innovation should be accorded faster approval;
(ii) The weighted deduction for R&D should be restored to 200 per cent. This will motivate industries to enhance their R&D spending;
(iii) Encourage industry-academia collaboration;
(iv) Strengthen the Indian Patent Office to ensure faster examination and grant of patents and also provide stringent protection to Intellectual Property Rights; and
(v) The Government should encourage innovation by actively involving as a partner in R&D efforts and increasing its spending in research activities.
Medical Devices

9.18 The Medical Device industry is a growing field and the potential for its growth is the highest among all the sectors in the healthcare market. Various categories of devices starting from consumables to implantable medical devices are being manufactured in India. The manufacturing of medical devices in the country is largely in disposables such as catheters, perfusion sets, extension lines, cannula, feeding tubes, needles, syringes, and implants such as cardiac stents, drug eluting stents, intraocular lenses and orthopedic implants.

Global Medical Device Market

9.19 The Department of Pharmaceuticals informed the Committee that in 2018-19, Global Medical Devices Market was pegged at USD 447.1 billion, growing at a modest Compound Annual Growth Rate (CAGR) of 5 per cent. The In-Vitro Diagnostics (IVD) segment is the largest and fastest growing segment in medical device sector. North America constitutes the biggest market for medical devices contributing 41.2 per cent of global market, followed by Europe (31.9 per cent) and Asia Pacific (18.2 per cent).

9.20 India's share in global medical devices market is 1.6 per cent and it is counted among the top 20 global medical devices market and is the 4th largest medical devices market in Asia after Japan, China and South Korea.

Indian Medical Device Market

9.21 The Department of Pharmaceuticals informed that in 2018-19, the Indian Medical Device Market was pegged at Rs. 50,026 crore (USD 7.1 billion), growing at a CAGR of 14.8 per cent. Out of the total demand, imports valued at Rs.43,365.9 crore contributed 86.7 per cent. The total domestic production including exports, in 2018-19, was valued at Rs. 22,960.13 crore. Diagnostic imaging forms the largest segment (16.7 per cent of the Indian medical device industry), constituting about Rs. 8,547.86 crore and the market size of the surgical equipment and devices segment constitutes Rs. 7,297.51 crore. In-Vitro Diagnostic (IVD) Segment is the fastest growing segment with a CAGR of 18.5 per cent. The Indian domestic manufacturing is limited to surgical, cardiac stents and general medical devices and consumables.

9.22 The total Export and Import of Medical Devices during the past three financial years are as under:

<table>
<thead>
<tr>
<th></th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td>4987.28</td>
<td>5700.44</td>
</tr>
</tbody>
</table>

Source: EEPC
9.23 The Committee is disconcerted to note the heavy dependence on imports of medical devices. The Committee opines that the reduction in dependence on imports through the promotion of domestic manufacturing of medical devices is of utmost importance for ensuring the medical security of our country. The Committee also notes that the domestic manufacturing capacity is limited to products such as surgical, cardiac stents, general medical devices and consumables while it is yet to develop manufacturing capacity in many of the high-end devices and diagnostic equipments. The Committee, therefore, recommends the Department of Pharmaceuticals to incentivize the manufacturing of high-end medical devices by providing necessary support for the creation of manufacturing capacity of these devices in India. The Committee further recommends that necessary support/incentives may be provided for the construction of critical projects such as MedTech City in Vishakhapatnam so that it may be completed at the earliest and utilized to its full potential to enable domestic manufacture of medical devices and reduce import.

9.24 The Committee observes that the performance of export vis-à-vis import has not been satisfactory. The Committee recommends that the Department of Pharmaceuticals, in coordination with the Department of Commerce, identify markets for export of medical devices and provide necessary support for promotion of exports.

9.25 The Committee was apprised in detail regarding the challenges faced by the medical devices industry which are as follows:

(i) **Price Controls:** The Government of India controls prices of certain medical devices by either fixing a price at which they may be sold under a formula or by restricting the ability of the marketer of the medical device to increase its price by more than a prescribed percentage at any given time. The Committee recommends that the pricing of medical devices must be separated from that of drugs in view of the difference in nature of the two products. The Committee further recommends that a separate regulatory body should be created to review and control the price of medical devices. The regulatory body should be tasked with formulating appropriate prices for medical devices while maintaining a balance between affordability and access to medical devices and profitability of the manufacturers in view of the technologically intensive nature of the industry.

(ii) **Presence of Multiple Regulators:** The presence of multiple regulators impedes the development of medical devices market in
India. The Committee notes that the Medical Device Rules, 2017 are a good step in the right direction. The Committee, however, is of the opinion that there should be full separation of ‘drug’ and ‘device’ regulations with specific medical device regulations that are appropriate for this category and also aligned with global best practices. This will facilitate better focus on standards, quality and compliance to enhance the industry stature. The Committee, therefore, recommends that a separate Medical Devices Regulatory Act, which will regulate the medical devices sector, should be enacted at the earliest.

(iii) **R&D and Innovation:** The Medical Device Sector requires continuous training of health providers to adapt to new technologies. Most hi-tech innovative products and technology originate from a well-developed eco-system and innovation cycle, which is yet to be fully developed in India. The Committee recommends the Department to provide appropriate incentives and support to the medical devices industry for fostering a vibrant R&D environment in India.

### Schemes for Promotion of Medical Devices Manufacturing

9.26 With a view to address the challenges in manufacturing of medical devices in India vis-à-vis other major manufacturing economies, two schemes, *viz.* (i) "Promotion of Medical Device Parks"; and (ii) "Production Linked Incentive Scheme for Promoting Domestic Manufacturing of Medical Devices" have been approved by the Government of India on 20th March, 2020. The guidelines for implementation of the schemes were initially issued on 27.07.2020. Based on the feedback received from the investors, the guidelines were revised on 29.10.2020.

9.27 The four Target Segments of medical devices under the schemes are:-

- Cancer caret Radiotherapy medical devices
- Radiology & Imaging medical devices (both ionizing & non-ionizing radiation products) and Nuclear Imaging devices
- Anesthetics & Cardio-Respiratory medical devices including Catheters of Cardio Respiratory Category
- Renal Care medical devices and all Implants including implantable electronic devices.

9.28 The Committee appreciates the schemes introduced by the Department of Pharmaceuticals for promotion of domestic manufacturing of medical devices. The Committee recommends the Department to ensure the implementation of the schemes in a timely
manner. The Committee is hopeful that successful implementation of these schemes will result in decline in import of medical devices and achieve the goal of self reliance in medical devices.

ELECTRONICS INDUSTRY

Overview of the Industry

10.1 Electronics industry is the world’s largest and fastest growing industry and is increasingly finding applications in all sectors of the economy. The Government attaches high priority to electronics hardware manufacturing and it is one of the important pillars of both “Make in India” and “Digital India” programmes of Government of India. There has been a significant growth of electronics manufacturing activities in the country since 2014.

10.2 The Ministry of Electronics and Information Technology informed the Committee that, as a result of several initiatives taken by the Government and efforts of the industry, the domestic production of electronic goods has increased substantially from Rs. 1,90,366 crore (USD 29 billion) in 2014-15 to Rs. 5,33,550 crore (USD 75.7 billion) in 2019-20 at a CAGR of 23 per cent. Export of electronic goods has increased from Rs. 61,908 crore (USD 8.8 billion) in 2018-19 to Rs. 82,929 crore (USD 11.7 billion) in 2019-20, exhibiting a year-on-year growth of 34 per cent over the last year, largely driven by growth in exports of mobile phones.

Electronic goods: Import, Export, domestic production

![Graph showing import, export, and domestic production](image)

Source: Ministry of Electronics and Information Technology

10.3 The Ministry also informed the Committee that India has emerged as the 2nd largest manufacturer of mobile phones in the world in terms of volume. From only 2 units in 2014, there are over 200 units manufacturing
mobile phones and their sub-assemblies / parts / components. Production of mobile phones has grown from 6 crore units valued at Rs. 19,000 crore in 2014-15 to 33 crore units valued at Rs. 2,25,000 crore in 2019-20. The import of mobile phones decreased from Rs. 48,609 crore in 2014-15 to around Rs. 6,313 crore in 2019-20. The export of mobile handsets increased from Rs 1,566 crore in FY 2014-15 to Rs. 25,450 crore FY 2019-20. Over 95 per cent of domestic demand of mobile phones is being met from the domestic production.

10.4 As a result of the implementation of Phased Manufacturing Programme (PMP) with the objective to substantially increase the domestic value addition for establishment of a robust cellular mobile handsets manufacturing eco-system in India and support under Modified Special Incentive Package Scheme (M-SIPS), India rapidly started attracting investments into this sector and significant manufacturing capacities have been set up in India during the past five years. Most of the major brands (both foreign and Indian) have either already set up their own manufacturing facilities or have sub-contracted manufacturing to the Electronics Manufacturing Services (EMS) companies operating from India.

10.5 The Committee takes cognisance of the efforts undertaken by the Ministry of Electronics and Information Technology and applaud its achievements especially in the manufacture of mobile phones. The Committee, however, expresses its concern regarding the ambiguity in differentiation between manufacturing and assembly process. The Committee is apprehensive that most of the mobile phones which are claimed to have been manufactured in India might have been actually assembled with parts imported from elsewhere. The Committee was apprised by industry associations that the assembly of mobile phones are undertaken by third party Electronics Manufacturing Services (EMS) who are importing components in Semi Knocked Down (SKD)/Completely Knocked Down (CKD) form and assemble without any local procurement and claimed the status of ‘Make in India’. This process of assembly does not benefit the domestic industries as the third party EMS does not invest in infrastructure or does not facilitate the transfer of technology. The Committee, therefore, recommends the Ministry to clarify on the ambiguity between manufacturing and assembly. The Committee further recommends that any investment by foreign entity in electronics manufacturing, be it third party EMS, must be attached with a requirement of investment in infrastructure and promise of technology transfer so that domestic production of critical components can be achieved in the long run.
10.6 The Committee was informed that the Indian electronics industry largely manufactures passive components focusing on assembly and testing. The competency matrix recently bought out by Technology Information Forecasting and Assessment Council (TIFAC) has shown the status of India in the electronic value chain:

<table>
<thead>
<tr>
<th>Manufacturing Phase</th>
<th>Design</th>
<th>Manufacturing/Production</th>
<th>Equipment Manufacturing</th>
<th>Testing Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silicon Material Production</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Silicon wafers</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Silicon Die Manufacturing</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Integrated Circuits</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>PCB Manufacturing</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Packaging Components</td>
<td>Yes</td>
<td>Yes</td>
<td>Limited</td>
<td>No</td>
</tr>
<tr>
<td>Discrete Components</td>
<td>Yes</td>
<td>Yes</td>
<td>Limited</td>
<td>Limited</td>
</tr>
<tr>
<td>System Integration</td>
<td>Yes</td>
<td>Yes</td>
<td>Limited</td>
<td>Limited</td>
</tr>
<tr>
<td>Device/Product</td>
<td>Yes</td>
<td>Yes</td>
<td>Limited</td>
<td>Limited</td>
</tr>
</tbody>
</table>

Source: TIFAC White Paper May, 2020

10.7 The Committee observes that the competency of India in the electronic value chain is minimal. The Committee is of the opinion that India needs to step up its efforts in building capacity for manufacturing of critical electronics components in order to attract investment and to integrate with the global electronics value chain. The Committee, therefore, recommends the Ministry of Electronics and Information Technology to undertake targeted efforts towards designing, manufacturing, production and testing of the electronics components. The Committee further recommends to make rigorous effort on the front of R&D and innovation, to enable India to become a global leader in electronics value chain.

Schemes launched during the lockdown to help the Electronics Sector

10.8 During the current pandemic, it was clearly visible that most countries around the world, including India, were overly dependent on a single country for electronic hardware imports. Thus, there is a need to broad base the sources of electronics hardware imports in India while promoting domestic production at the same time in order to reduce dependency on a single market / geographical region so that any sudden / abrupt / unforeseen event does not cause any large scale shortage of inventory for the domestic electronics industry.

10.9 To attract and incentivize large investments in the electronics value chain and promote exports, three schemes, namely - (i) Production Linked
Incentive Scheme (PLI) for Large Scale Electronics Manufacturing; (ii) Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS); and (iii) Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme have been notified under the aegis of National Policy on Electronics 2019 (NPE 2019) on April 1, 2020.

10.10 The Committee applauds the proactive measures taken by the Ministry of Electronics and Information Technology for reducing dependence on a single market/ geographical region and exploring alternate destination for sourcing of components required by the electronics industry. The Committee also appreciates the schemes notified for the electronics industry. The Committee is hopeful that the new schemes will attract global manufacturing industries, result in indigenization of electronic supply chain, reduce dependence on import and build a stable and vibrant electronics ecosystem in the country. The Committee, therefore, recommends the Ministry to ensure efficient implementation of the schemes and lend necessary assistance to eligible industries/manufacturing units in navigating the regulatory and administrative hurdles so that the offtake of the schemes are not delayed due to these issues.

Import Duty on Electronic Goods

10.11 The Committee was informed that India is a signatory to the Information Technology Agreement (ITA-1) of WTO under which 217 tariff lines, broadly covering IT and Telecom equipment and electronic components are imported at “Nil” Basic Customs Duty (BCD). Moreover, we have entered into Free Trade Agreements (FTAs) with various countries / trading blocs such as ASEAN, Korea and Japan, under which import of several Non-ITA electronic goods is also permitted at “Nil” Basic Customs Duty. Unlike the automotive sector, there is no duty protection available to the electronic goods industry.

10.12 The Committee observes that the electronic goods industry is not provided any duty protection which makes the domestic industries vulnerable to cheap imports from other countries. The Committee is of the opinion that since the Government is focusing on promoting domestic production of electronic products, it might be in the best interest of our country to provide protection to the domestic industry till the time it is competent enough to compete with global manufacturers. The Committee, therefore, recommends the Ministry to have deliberations with industry associations and other relevant Department/Ministries regarding the feasibility of providing protection to the electronic industry.
Semiconductor integrated Chip Ecosystem

10.13 A semiconductor chip is an electric circuit with many components such as transistors and wiring formed on a semiconductor wafer and an electronic device comprising of these numerous components is called an integrated circuit. Semiconductor manufacturing comprises the front-end fab manufacturing and the back-end assembly, including packaging and testing.

10.14 On enquiring about the manufacture of semiconductor integrated chips, the Ministry of Electronics and Information Technology informed the Committee that the Government has been making serious efforts to set up Semiconductor wafer fabrication (FAB) facilities in the country. The Government had approved in 2014 two proposals for setting up of Semiconductor FAB facility in India which could, however, not materialize due to various reasons. Currently, there is no commercial Semiconductor FAB facility in the country.

10.15 The Ministry further informed that the Semiconductor FABs are highly capital intensive and have to deal with constantly changing technology. Further, the semiconductor fabrication capability for leading / cutting edge technology nodes is available with only few companies globally. Following are the key challenges:

- India is signatory to the Information Technology Agreement (ITA-1) of WTO, under which Semiconductor Integrated Circuits (ICs) are permitted for imports at ‘NIL’ customs duty. Semiconductor ICs are low weight, high volume goods, which can be easily transported across the globe and fright cost is not an issue.

- A state-of-the-art FAB facility with capacity of 40-60K wafer starts per month (WSPM) requires roughly USD 8-10 Billion in capital and supporting R&D investment.

- Assured business out of the market demand is the key to establish and operate a sustainable FAB.

10.16 The Empowered Committee on Semiconductor FAB, constituted by the Union Cabinet, is considering options for setting up Semiconductor FABs in India.

10.17 The Committee takes note of the fact that the Semiconductor Integrated Circuits is one of the costliest components of the electronic products contributing around 30 per cent of the total cost. The Committee notes that India may have to look at a minimum of a 28 or 14 nanometer FAB which involves an investment between USD 8-10
Billion which is too capital intensive for private sector alone to embark on this initiative. The Committee, therefore, recommends that a separate scheme for the establishment of Semiconductor FAB may be devised with the provision for adequate capital support.

TOY INDUSTRY

Overview of the Industry

11.1 The world of play has changed dramatically over the past decade. The advent of tablets and mobile phones and the rise of digital and mobile gaming have transformed how children play, while online shopping and influencers have altered how, when and where consumers learn about and purchase toys. The driver of growth is an increasing incidence of nuclear families and sensitivity of parents as to the role of toys on children’s well-being and development.

11.2 The Ministry of Micro, Small and Medium Enterprises informed the Committee that the size of Indian Toy market in the year 2019, was estimated at USD 1.5 billion. The total toy manufacturers in the country are roughly 5000-6000 primarily in the Micro & Cottage Segment (Micro – 75 per cent, Small and Medium – 22 per cent and Large – 3 per cent Units.)

11.3 The Committee observes that the toy industry is highly fragmented which it feels has impeded the development of the industry as small scale manufacturers are unable to achieve the desired level of production and competitiveness due to lack of economies of scale. The Committee recommends that cluster manufacturing may be promoted on wide scale and manufacturing zones for toys with plug and play facilities must be provided for the toy industry with adequate financial support.

11.4 The Committee was informed that according to a study by the National Productivity Council, the toy industry employs approximately 2.5 million workers with more than 50 per cent women workforce.

11.5 The traditional toys and games account for nearly a third of economic activity in the sector. The types of Indian toys are traditionally made included Rattles & Dug Dugi, Dolls, Bagh Chal (Tiger and Goat), Bhatukli, Pachisi, Chauka Bara, Pallanguli, Chaduranga and Puppets. There are twelve major traditional toy clusters in India with artisans ranging from 50 to 2,000. Nearly half of contemporary toys are manufactured in Delhi followed by Maharashtra (35 per cent).

11.6 The Committee was informed that the market for traditional toys is dwindling due to shift in market towards electronics and virtual toys and inability of the traditional toy manufacturers to innovate their designs to meet the changing market demand. Further, they are unable
to compete with the machine-made toys. The Committee recommends that necessary assistance in manufacturing process, design and innovation should be provided to the traditional toy manufacturers to enable them to catch up with the technological developments in the toy industry. The Committee further recommends that a specific scheme for promotion, upgradation and manufacturing of traditional toys may be formulated.

Import of Toys

11.7 The Ministry of Micro, Small and Medium Enterprises informed that the global as well as domestic demand for toys is largely serviced by China. As informed by Toy Association of India, it is estimated that 75 per cent of the domestic demand is fulfilled by imports, mainly from China and the rest by domestic manufacturers. In India, Chinese and Taiwanese imports account for majority of activity, largely in the unorganized sector. The unorganized sector has progressed as counterfeit products are available at a low price point.

11.8 Around 80 per cent of the market caters to children under the age of 12. Accordingly, consumers often feel that their child will quickly outgrow playing with certain toys and, being price sensitive, they justify buying counterfeit/unlicensed toys. This has led to thriving growth of the unorganized sector, supported by vast distribution network making these products available in every corner of cities. Little heed is paid to the quality of the products and the impact on children.

11.9 The Government has been taking certain measures to ensure higher quality standards for the products available in the market by subjecting imports of traditional toys and games to rigorous tests. This resulted in a marginal drop in cheap, unbranded products from markets such as China in 2019. It also led to increased awareness among parents. This led to improving sales of some authentic brands and products in 2019, with companies claiming that the drop in cheap, unbranded products had led to increased shelf space in retail stores for their products. Due to these developments, parents are now more open to buying branded products from online and offline stores.

11.10 The Committee was also informed that Chinese products are hurting local industry. A 2017 report by the National Productivity Council suggests that the inflow of cheap Chinese goods has hurt the domestic industry to the extent that 40 per cent of Indian toy companies had to shut down and another 20 per cent were on the verge of closure between 2012 and 2017.
11.11 The Committee is deeply concerned by the huge inflow of imported toys from China and its adverse impact on the domestic industries. The Committee is of the opinion that the development and nurturing of domestic industry and the promotion of domestic manufacturing of toys is of utmost importance. The Committee, therefore, recommends that concerted effort should be taken to promote domestic toy manufacturing. Further, the Committee recommends that necessary measures may be taken to check the huge inflow of unauthorized import and provide protection to domestic industries through the imposition of appropriate tariff or non-tariff barriers.

11.12 The Committee further expresses its concern regarding the prevalence of counterfeit/unlicensed toys. The Committee recommends that the Quality Control Order for toys is implemented in a stringent manner and that appropriate penalty is imposed on importers/dealers that are found to violate the order. The Committee further recommends to create more awareness among consumers, especially among parents, to educate them about the danger of using counterfeit/unlicensed toys and their impact on children.

Identification of Toy Industry as a “Focus Sector”

11.13 The Committee was informed by the Ministry of Micro, Small and Medium Enterprises (MSME) that the Toy Sector has been identified by the Government as one of the focus areas in the country’s aim to become a self-reliant economy. As envisioned by Hon’ble Prime Minister, there is a need to become self-reliant in every field, including in toys. The sector has high potential to generate employment and contribute significantly to the economy and a push towards vibrant local toy industry can help achieve the vision of self-reliance.

11.14 With a view to promote domestic manufacturing of toys, Ministry of MSME has reviewed the present industry scenario in consultation with various stakeholders including all associations of toy industry to devise the roadmap. Based on the discussions held, it was observed that following are some of the major challenges being faced by the Toy Sector:

(i) Design and innovation support – Limitations were identified in terms of facilities available at National Institute of Design (NID). The Committee recommends that a separate toy design institute tasked with creating designs which can be commercialized on large scale should be set up to cater to the design needs of the toy industry.

(ii) BIS certification related challenges – a separate license for each product (in certain cases, each variant) is required leading to higher
costs and micro firms will not be able to afford such requirements. The Committee recommends that the multiplicity/duplicity in licensing requirement may be sorted out at the earliest in consultation with the industry. The Committee is of the view that unnecessary licensing requirement leads to delay in the manufacturing process and hamper the doing business environment. The Committee further recommends that necessary assistance may be provided to the micro firms in meeting the licensing requirement.

(iii) Unavailability and high cost of raw materials in the country – The availability of raw materials was identified as a key challenge due to multiple reasons. As a result, in some cases, even wood and plastic for the toys have to be imported. Further, high cost of raw materials impacts the cost competitiveness of Indian toys. The Committee opines that the easy availability of raw materials at a competitive rate is essential for the development of the domestic toy industry. The Committee, therefore, recommends that the issue with regard to the sourcing of required raw materials need to be sorted out by formulating an appropriate procurement strategy for raw materials.

(iv) Lack of technology upgradation support to toy manufacturers. The Committee is of the view that upgradation of technology is required to enable the toy industry to be competitive in the global market. The Committee, therefore, recommends that the required financial support is provided to toy manufactures to enable them to upgrade their existing technology and also acquire the best available manufacturing process. The Committee was informed that the equipments needed to make electric toys are imported from South Korea and Japan which attract high import duty. The Committee, therefore, recommends that the import duty on such equipments should be lowered to enable domestic manufactures to import them at a cheaper price.

SOLAR INDUSTRY

Overview of the Industry

12.1 The Ministry of New and Renewable Energy informed the Committee that as per the Global Renewable Energy Status Report 2020, the net global additions of renewable power generation capacity outpaced net installations of fossil fuel and nuclear power capacity combined for the fifth year in a row. With over 200 GW (Gigawatt) added in the year 2019, the cumulative
renewable power generating capacity has reached 2588 GW. Renewable energy now made up an estimated 20.1 per cent of global final energy consumption and delivered an estimated close to 27.3 per cent of global electricity production, and the global investments in renewables was US$ 301 billion. The report further states that 172 countries had renewable energy targets, and 161 countries had renewable energy support policies.

12.2 The Ministry further informed the Committee that India has an installed grid connected power generating capacity of 373 GW as on September 2020. Thermal power generation (from coal, natural gas and diesel) with 231 GW comprises 62 per cent of total installed capacity followed by renewable energy (wind, solar, small hydro, biomass etc) with over 89 GW (23.9 per cent), large hydro with a contribution of 45.7 GW (12.3 per cent), and nuclear with over 6.7 GW (1.8 per cent) make up the rest. In terms of electricity generation, the renewable power installed capacity generated around 139 billion units during the year 2019-20, contributing about 11 per cent to the total electricity mix.

12.3 With respect to the 175 GW target by the year 2022, the total capacity installed, under installation and bidding as on 30 September 2020, is over 163 GW as shown in the table below.

**Renewable energy capacity -Status**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Target 2022</th>
<th>Installed Capacity</th>
<th>Under Implementation</th>
<th>Tendered</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar Power</td>
<td>100</td>
<td>36.05</td>
<td>35.61</td>
<td>19.44</td>
<td>91.10</td>
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<tr>
<td>Wind Power</td>
<td>60</td>
<td>38.12</td>
<td>9.10</td>
<td>0.00</td>
<td>47.22</td>
</tr>
<tr>
<td>Bio Energy</td>
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<td>10.31</td>
<td>0.00</td>
<td>0.00</td>
<td>10.31</td>
</tr>
<tr>
<td>Small Hydro</td>
<td>5</td>
<td>4.74</td>
<td>0.46</td>
<td>0.00</td>
<td>5.20</td>
</tr>
<tr>
<td>Wind Solar Hybrid</td>
<td>0</td>
<td>0</td>
<td>1.44</td>
<td>1.20</td>
<td>2.64</td>
</tr>
<tr>
<td>RTC *</td>
<td>0</td>
<td>0</td>
<td>1.60</td>
<td>5.00</td>
<td>6.60</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>175</strong></td>
<td><strong>89.22</strong></td>
<td><strong>48.21</strong></td>
<td><strong>25.64</strong></td>
<td><strong>163.07</strong></td>
</tr>
</tbody>
</table>

*Round the Clock (RTC)/ assured Peak Power supply
Source: Ministry of New and Renewable Energy

12.4 During the last 6 years, India has witnessed the fastest rate of growth in renewable energy capacity addition among all large economies, with renewable energy capacity growing by 2.5 times and solar energy expanding by over 13 times. Since the year 2017, the annual renewable energy capacity addition has been exceeding the addition of coal based thermal power. India’s renewable power capacity is now the 4th largest in the world.

12.5 The Committee observes that the renewable energy capacity addition has achieved a satisfactory growth rate during the last six
years. The Committee, however, is perturbed to observe that the actual installed capacity has barely crossed the halfway mark of the targeted capacity addition of 175 G.W. by 2022. It further observes that a notable capacity addition has been under implementation. In view of the long time taken for completion of solar development projects, the Committee is concerned that the country may not be able to achieve the intended target at the current pace of development. The Committee, therefore, recommends that concerted steps should be taken to ensure that solar projects which are under implementation are completed within a definite time frame. The Committee further recommends that development of projects may be initiated at the earliest for which bidding/tendering have already been done.

Steps taken during COVID-19

12.6 The following major steps/ measures were taken during COVID-19 to facilitate ease of doing business:-

- Instructions were issued for granting time extension to renewable energy projects and release of performance bank guarantees proportionate to work completion, to mitigate the impact of COVID-19;

- States have been advised to maintain sanctity of contracts and ensure certainty in supporting policies for renewables;

- A Project Development Cell (PDC) has been established to handhold and facilitates domestic and foreign investors. PDC is reaching out to potential investors who are willing to set up manufacturing capacities in India;

- It has been clarified to the States that ‘must run status' (evacuation of power from solar power plants and wind power plants should not be curtailed for factors other than on account of grid safety or safety of equipment) of renewable energy remains unchanged during the lockdown period, and that curtailment, except for grid safety reasons, would amount to deemed generation;

- A Foreign Direct Investment (FDI) cell has been created in the Ministry in line with DPIIT recommendations for curbing opportunistic takeovers/acquisitions of Indian companies due to current COVID-19 pandemic; and

- Suitable relief/extension was granted in all time-bound activities which were affected by the pandemic.
12.7 The Committee appreciates the steps taken by the Ministry of New and Renewable Energy for facilitating ease of doing business in the renewable energy sector. The Committee is hopeful that the measures taken will result in boosting investor’s confidence and attracting investment in the sector. The Committee recommends the Ministry to ensure that all instructions/advice/recommendations made by the Ministry are strictly adhered to by all the concerned stakeholders. The Committee further recommends the Ministry to provide necessary handholding to potential investors to enable them to navigate the administrative and regulatory hurdles in the sector.

Investment in Renewable Energy Sector

12.8 As per Foreign Direct Investment (FDI) Cell, Department of Industrial Policy and Promotion, Government of India, from the year 2014-15 upto December 2019, the Indian renewable energy sector received approximately US$ 6.1 billion (Rs 42,700 crore) as FDI. Out of this, FDI of US$ 1.2 billion (Rs 8,400 crore) was attracted during April-December 2019. Liberal foreign investment policy allows the foreign investors to enter into joint ventures with Indian partners for financial and/or technical collaboration and for setting up of renewable energy-based power generation projects. Upto 100 per cent foreign investment as equity qualifies for automatic approval.

12.9 The Committee is of the view that liberalizing of FDI alone does not suffice and that a conducive business ecosystem needs to be created for attracting investment. The Committee recommends the Ministry to take proactive measures to rectify the regulatory and administrative hurdles that hindered the development of renewable energy sector. The Committee further recommends that continued efforts should be made for attracting FDI into the renewable energy sector.

Solar Manufacturing

12.10 The Committee, in its interaction with the representatives of the All India Solar Association, was informed that the domestic solar manufacturing industry has been facing challenges and has not been able to remain in stable business since inception of the industry due to various issues which are mentioned as under:

- Dumping by China and allied countries
- Duties on raw material which make local product expensive
- Non level playing field against its competitors from China, Vietnam, etc.
- Higher cost structure due to non availability of local material across the value chain
- High cost of finance
- Higher Power Tariff
- Negligible Export Subsidies
- Fluctuating demand
- Blockages in working capital for reasons like delayed GST refund
- Lack of incentives to buyers to buy from Indian manufactures
- Requirement of too many complex certifications and registrations as compared to other countries resulting in additional time and costs
- Total dependency on overseas in terms of R&D

12.11 In view of the challenges faced by the domestic manufacturing industries, the Committee recommends the following measures to promote domestic manufacturing of solar components and attract investment in the solar sector:

(i) The Domestic Content Requirement (DCR) under the Solar PV Power Projects by Central Public Sector Undertakings, Pradhan Mantri Kisan Urja Suraksha Evam Utthan Mahabhiyan (PM-KUSUM) and Rooftop Solar Programme needs to be expedited and implemented at the earliest;

(ii) Approved List of Models and Manufacturers (ALMM), which has been pending for almost 3 years, should be finalized and implemented at the earliest;

(iii) Issue with regard to duplicity in certification by International Electrotechnical Commission (IEC) and Bureau of India Standards (BIS) certification may be sorted out in consultation with industries. This will mitigate the additional cost paid by the domestic manufacturers for IEC and BIS certification;

(iv) A competitive power rate which is on par with other manufacturing countries should be provided to solar cell and module manufacturers through subsidy and exemption of electricity duty;

(v) To boost export of solar components, an enhanced export subsidy should be provided;

(vi) To enable the manufacturing industries meet their financial requirement, the solar sector may be brought under priority sector lending and subsidized interest rate may be provided;

(vii) The issue of inverted duty structure where input raw material attracts higher GST rate than end product may be rectified. Further, the list no. 19 under Sr. No. 426 of Customs Notification
No. 50/2017 dated June, 2017 for import of manufacturing equipment for solar PV manufacturing under duty free category is outdated as the same was originally issued in 2012 and should be updated immediately;

(viii) Support may be extended to the existing manufacturing units for undertaking the required technological upgradation; and

(ix) Suitable policy should be formulated wherein global players will be attracted to invest in India with local partnership for manufacturing of glass, aluminium, and other raw materials like Ethylene Vinyl Acetate (EVA), back sheets to achieve the indigenization of the entire solar value chain.

Safeguard Duty

12.12 The Committee was informed that in order to curb proliferation of imported solar PV cells and modules, a Safeguard Duty was imposed w.e.f. 30th July 2018 for two years. It has been extended for one more year at the rates of 14.90 per cent for imports during 30th July, 2020 to 29th January, 2021; and 14.50 percent for imports during 30th January, 2021 to 29th July, 2021. Imposition of an enhanced Basic Customs Duty and financial incentives for domestic solar PV manufacturing has also been envisaged.

12.13 The Committee was informed that safeguard duty has been unable to provide protection to domestic industries due to issues in its implementation. It was further informed that domestic solar developers, who have imported components from other countries by paying safeguard duty, have been able to drawback the duty paid under the change in law clause. This has made the imported solar components cheaper than components manufactured in India thereby, inadvertently promoting import. The Committee, therefore, recommends that the a Basic Custom Duty in the range of 25-50 per cent should be announced immediately in order to protect domestic industries from the onslaught of cheap imports and promote domestic manufacturing of solar components.

STEEL INDUSTRY

Overview of the Industry

13.1 The Ministry of Steel informed the Committee that India is currently the world’s second largest producer of crude steel during January to December, 2019, producing 111.245 Million Tonnes (MT) of crude steel with growth rate of 1.8 per cent over the corresponding period last year. Further, India is the largest producer of Direct Reduced Iron (DRI) or Sponge Iron in the world during January to December 2019, producing
36.86 Million Tonnes of Sponge Iron with growth rate of 7.7 per cent over the corresponding period last year. Capacity for domestic crude steel production expanded from 109.85 Million Tonnes Per Annum (MTPA) in 2014-15 to 142.24 MTPA in 2018-19, at a Compounded Annual Growth Rate (CAGR) of 6.8 per cent during this five-year period. Crude steel production grew at a CAGR of 7.6 from 88.98 MTPA in 2014-15 to 110.92 MTPA in 2018-19.

13.2 The Committee was also informed that the Steel Industry contributes around 2 per cent to India’s GDP and employs around 5 lakh people directly and 20 lakh people indirectly. The Government has taken various steps to boost the sector including the introduction of National Steel Policy 2017 and allowing 100 per cent Foreign Direct Investment (FDI) in the steel sector under the automatic route.

**Trade deficit in Steel Sector**

Import Scenario

![Chapter 72 imports from China (values in USD Million)](source: Ministry of Steel)
13.3 The Committee was informed that the import of products listed under Chapter 72 of the First Schedule to the Customs Tariff Act, 1975 from China have decreased by more than half (52.47 per cent) from 2015-16 to 2019-20. Further, the percentage share of imports from China has also been steadily decreasing with 20.97 per cent in 2015-16 to 10.45 per cent in 2019-20. However, the imports of Chapter 73 products, on the other hand, have increased by 34 per cent from 2015-16 to 2019-20 and the percentage share of imports from China has more or less hovered around 34 per cent over the last five years.

Export Scenario

Source: Ministry of Steel
13.4 The exports of Chapter 72 products to China have significantly increased by 253 per cent between 2015-16 and 2019-20 and the percentage share of exports to China has also slightly increased from 2.65 per cent in 2015-16 to 5.54 per cent in 2019-20. Further, the exports of Chapter 73 products have also steadily increased by 31 per cent between 2015-16 and 2019-20 and the percentage share of exports to China has hovered around 1.05 per cent over the last five years.

13.5 The Committee observes that despite the moderation in import of steel and significant increase in export under both Chapter 72 and Chapter 73 of the Customs Tariff Act, 1975, there exists huge trade deficits in the steel sector. The Committee further observes that there is huge import of Chapter 73 products from China and expresses its deep concern. The Committee opines that the huge dependence on a single country might adversely impact infrastructure and other development projects in our country in a situation of supply chain disruptions. The Committee recommends that this heavy dependence on a single country should be quickly addressed by exploring alternative source for acquiring Chapter 73 products in the short term and by building domestic capacity or incentivizing foreign manufacturers specialized in the manufacture of steel items under Chapter 73 to set up their manufacturing/processing units in India.

13.6 To address the huge trade deficit in the steel sector, the Committee recommends the following trade measures:

(i) The inverted duty structure faced by Indian Steel industry should be corrected by eliminating tariffs on import of input raw materials;
(ii) Eliminating the ‘Lesser Duty Rule’ in anti-dumping and anti-subsidy investigations;

(iii) Re-negotiating India’s Free Trade Agreements with ASEAN, Japan and South Korea to ensure reciprocity. Until this is carried out, concessional tariffs with these countries should be suspended. India’s concession to the ASEAN has been far in excess than concessions granted to India;

(iv) Periodic compliance assessment to be carried out with respect to Rules of Origin to arrest market access at concessional tariffs for non-FTA countries. Domestic content labelling requirement across value chain should be made mandatory;

(v) Introduction of anti-absorption regulations in order to bring in a level playing field between domestic and imported steel. Anti-Absorption regulations are operational in EU, USA and Australia; and

(vi) The Committee observes that the production of crude steel in 2019 was 111.245 Million Tonnes (MT) while domestic crude steel production capacity in 2019 was 142.24 Million Tonnes (MT) resulting in underutilization of capacity. Therefore, concerted efforts must be taken to fully utilize the manufacturing capacity and reduce import of steel.

Challenges faced by the domestic steel industry

13.7 The Committee was apprised that the domestic steel industry has been facing a number of challenges which impeded domestic manufacturing and also adversely impacting the competitiveness of their products in the global markets.

13.8 High cost of capital: One million tonne per annum steel plant requires a capital investment of about Rs 6000-7000 crore. For being viable, an integrated steel plant needs to have a minimum capacity of 3-5 million tonnes per annum for which Rs. 20,000-30,000 crore investment is needed. Raising this quantum of capital in the Indian financial sector has its own challenges due to very high cost of borrowing. The Committee recommends that concessional tax and tax-deferment schemes for steel sector should be worked out and implemented. The Committee desires that the steel sector should be granted infrastructure status to make it easier for availing the required financing. Further, a financial institution to manage the financing of capital investment, working capital, seed capital, etc. may be set up.
13.9 **High Logistics cost:** At present, high logistics costs for Indian players (16-18 per cent of top line) as compared to global players (11-12 per cent of top line) leads to reduced global competitiveness. India’s inefficient logistics modal mix, a result of varying challenges across different modes is the primary cause of the elevated cost. A shift to a rail intensive steel modal mix and an increase in coastal/ inland waterways and slurry pipelines for iron ore transport for longer distances have the potential to improve cost competitiveness for the Indian steel industry.

13.10 The Committee was informed that insufficient rake allocation to steel players due to scarcity of freight rakes forces steel players to utilize roads leading to longer transportation times and higher costs. The Committee recommends the Ministry of Steel, in coordination with Ministry of Railways, to devise measures to address the issue faced by the steel sector. The Committee is of the view that the expansion of railway infrastructure offers the long-term solution to this issue. The Committee, therefore, recommends that concerted effort should be taken for the development of railway infrastructure and improvement of freight capacity of railways.

13.11 The Committee was informed that the construction of slurry pipelines faces numerous constructions delay due to challenges with land acquisition, multiple clearance requirements, availability and recyclability of water used along with a lack of policy regulations for Right of User along railway tracks. It was further informed that the Ministry of Railways has recently taken a policy decision not to grant Right of Use (RoU) for slurry pipelines along railway tracks. The Committee, therefore, recommends that the various regulatory and administrative hurdles impeding the construction of slurry pipelines must be addressed immediately by taking appropriate measures. The Committee further recommends that a clear-cut policy regarding the regulation of RoU along railway tracks must be formulated and finalized at the earliest.

13.12 The Committee was also informed that the development of National Waterways under NW1, NW2, NW5 and NW10 will ease the logistical congestion in the steel sector. The Committee, therefore, recommends that the development of the above-mentioned National Waterways should be expedited and completed at the earliest.

13.13 **Higher Effective Tax Rate (ETR):** The Committee was informed that the effective tax rate on iron ore mining in India is almost double in comparison to the global levels. This is due to high incidence of royalty, National Mineral Exploration Trust (NMET), District Mineral Foundation (DMF), Goods and Services Tax (GST), Value Added Tax (VAT), etc. The
Committee notes that the higher effective tax rate has impeded the development of the Indian steel industry and has adversely impacted their competitiveness in the global market. The Committee, therefore, recommends that a viable tax rate for the steel industry should be worked out and reduction in tax or waiver wherever applicable, should be provided to enable them to compete with their global counterparts.

13.14 **Regulatory delays:** The Committee was informed that the average time required for acquiring land and obtaining all statutory clearances, numbering around 20, for setting up a 3MTPA steel plant, is upwards of 3 years; this includes EC, FC, CTE, CTO, etc. A large number of FDI proposals in the steel sector in the past could not mature owing to huge uncertainties in obtaining statutory approvals combined with land acquisition and ensuring raw material security. **The Committee expresses its deep concern about the regulatory delays in the setting up of steel plant.** The Committee strongly feels that the time taken for obtaining statutory clearance should be reduced to less than one year. The Committee, therefore, recommends that a time bound process for clearing all the regulatory and other statutory requirements should be formulated and the process of obtaining approval should be further simplified.

**Summation**

13.15 The year 2020 witnessed the world struggling with not only an unprecedented public health crisis due to the COVID-19 pandemic but also grappling with the problem of economic downslide. The resultant situation leading to shutting down of offices and factories, unemployment, migration, travel ban, etc. brought the world to a brink of a global recession. This caused the countries to introspect and chalk out their own measures to tackle this unprecedented situation. Responding to the crisis arising out of the prevailing pandemic, the Government of India announced a variety of measures from food security to extra funds for healthcare, sector related incentives and tax deadline extensions. In the month of May 2020, the Prime Minister announced an overall economic stimulus package worth Rs. 20 lakh crore with emphasis on making India as a self reliant nation. By July 2020, a number of economic indicators showed signs of rebound and recovery in India.

13.16 The year also witnessed many companies shifting their manufacturing bases out of China. This was motivated not only by political reasons but also due to economic reasons. To capitalise on the evolving situation and to attract such companies, a few countries including India announced special policies. However, it is learnt through media reports that most of these
companies shifted their base to Vietnam, Taiwan, Thailand, etc. and only a few came to India.

13.17 In order to address the issues faced by domestic industries and to attract investment, this Committee examined some of the key sectors namely, automobile, pharma, solar energy, electronics, toys, steel and medical devices. These sectors are to a large extent dependant on import, especially from China, and witnessed a major setback due to the global pandemic. Their performance and the rejuvenation measures were studied in detail. Some of the measures have already started showing positive effect on these industries. The Committee, after interacting with various stakeholders to understand their perspectives/views on the issues concerning these sectors, has given some recommendations aimed at fostering their growth, facilitating faster recovery and achieving self reliance.

13.18 The Committee feels that the main challenges faced by the country presently are - administrative and regulatory hurdles, inadequate and costly credit facility, tedious land acquisition procedure, inadequate infrastructure facilities, high logistics cost and large unorganised manufacturing sector, among others. The policy changes and the incentive schemes brought in by the Government to overcome these challenges are welcome measures and are in the right direction. However, success depends on the implementation of the reforms through seamless co-ordination between various Ministries and Departments of Government of India as well as the Central and State Governments. There is an imperative need to sensitize the State machinery/administration towards the importance of investment and business and its role in spurring the economic growth of the country. It is important to understand that a number of countries are competing to attract foreign investors and reorienting their capacities and strategies aimed at reduction of imports and optimizing export potential. The Committee, therefore, feels that the proactive approach of the Government combined with trust and credibility to meet the commitments and to fulfill the promises will be a crucial factor to attract investment. The Committee recommends that the Department should look into the policy changes brought in by countries like Vietnam, Taiwan, Thailand, etc. that made them more attractive to the companies shifting their bases from China. The Committee is also of the opinion that the Government should enter into more international trade agreements which are beneficial to the country in order to boost its international trade relations. The Committee hopes that the Department for Promotion of Industry and Internal Trade will play its pivotal role in taking the country forward on its path towards self
reliance, creating a conducive ease of doing business environment and capitalizing on the investment opportunities coming into India.

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RECOMMENDATIONS/OBSERVATIONS - AT A GLANCE

INDIAN ECONOMIC SCENARIO

Performance of GDP

1. The Committee expresses its concern over the sharp contraction of GDP during first quarter of the Financial Year 2020-21. The Committee also notes India had already been experiencing a decline in its GDP growth trajectory since 2017 and it was further exacerbated by the COVID-19 pandemic and the subsequent lockdown. It opines that healthy economic indicators are vital for attracting foreign investors and therefore recommends that concerted efforts should be made to revive economy and recover from the current slump. (Para 3.2)

Industrial growth

2. The Committee is deeply concerned by the poor industrial performance. A vibrant and healthy industrial performance is critical to country’s path to recovery from the adverse impact of COVID-19 pandemic. In this regard, the Committee feels that the Department should take cognizance of the stressed situation existing in various sectors of the economy and initiate steps in sync with the measures announced by the Government such as Product Linked Incentive Scheme, Line of Credit Scheme for boosting exports, stimulus packages for capital and industry, relaxation in labour laws and tax reforms. The new thrust on Atmanirbhar Bharat or self-reliant India will pave the way for encouraging entrepreneurship and innovation in domestic manufacturing sector. The Department, therefore, should capitalize on the new strategy of self-reliance for boosting industry and manufacturing sector in India. The Committee further recommends that the construction of infrastructure projects such as the Industrial Corridors should be expedited and completed at the earliest to provide the much needed boost to industries. (Para 3.5)

Trend of Foreign Direct Investment (FDI) inflow

3. The Committee is pleased to note that FDI inflow into our country has witnessed a positive trend during the pandemic. The Committee also observes that FDI inflow into the manufacturing sector has also registered an increase of 19 per cent in 2019-20 compared to that of 2018-19. Further, the inflow of FDI post-COVID vis-à-vis pre-COVID has increased by 15 per cent. The Committee recommends the Department to further build on this positive trend and make India a preferred destination for investment and manufacturing. The Committee is hopeful that the positive inflow of FDI will result in
boosting our economic growth and help in achieving the target of US 5 trillion-dollar economy by 2024-25. The Committee further recommends the Department, in coordination with Ministry of External Affairs and Indian Missions aboard to engage with Indian Diasporas in different countries to attract investment to India. (Para 3.11)

Steps taken to attract FDI in post-COVID Economy

Production Linked Incentive (PLI) scheme

4. The Committee recommends that a transparent system may be formulated by each Ministry which were allocated funds under PLI Schemes to enable easy access to data and information regarding implementation of the scheme. Information regarding the amount of incentives disbursed as well as delay in providing incentives along with reasons for the same may be made accessible online. (Para 3.22)

Phased Manufacturing Programme (PMP)

5. The Committee appreciates the efforts made by the Government in taking proactive steps to attract investment and promote domestic manufacturing. The Committee is hopeful that these measures will help in realising the goal of ‘Atmanirbhar Bharat’ and making India a global manufacturing hub. The Committee recommends the Department for Promotion of Industry and Internal Trade to ensure that the newly introduced schemes/measures are implemented in a timely manner. The Committee further recommends the Department to provide necessary assistance to the industries as well as coordinate with various Ministries/Departments so that the intended benefits are accrued to the industries and any hurdle in the implementation process is resolved in a timely manner with the respective Ministry/Department. (Para 3.24)

6. The Committee also recommends that the Phased Manufacturing Programme for LED Lights, Network Products, Medical Devices, Pharmaceutical Drugs, and Man-made fibre is formulated and implemented at the earliest to boost the domestic manufacturing of these products. (Para 3.25)

TRADE WITH CHINA

7. The Committee notes that trade deficit has been moderating in recent years with the increase in exports to and decline in imports from China. The Committee, however, is deeply concerned by the huge trade deficit with China. The Committee also takes cognizance of the steps taken by the Department of Commerce to bridge the trade deficit. The Committee is hopeful that the continued efforts of the Department will result in further reducing the trade deficit and attaining a positive trade
balance in the near future. The Committee recommends the Department of Commerce to further take necessary steps in this regard and also ensure that the trade protocols that have already been signed with China are strictly enforced.  

(Para 4.9)

8. The Committee also notes that India relies heavily on manufactured items from China. The Committee, therefore, recommends the Department for Promotion of Industry and Internal Trade to identify the imported manufactured items and provide necessary incentives/ assistance to Indian industries to enable the domestic manufacture of these items so as to reduce our import dependence on and bridge the trade deficit with China as well as enable the export of these items to other countries.  

(Para 4.10)

EASE OF DOING BUSINESS

9. The Committee takes cognizance of the steps taken by the Department for improving the ease of doing business in India. The Committee, however, was informed that the initiatives taken for easing the business environment at the Centre level usually does not percolate to the State and local level as desired, leading to administrative and regulatory hurdles at the local level. The Committee, therefore, recommends that initiatives may be taken to sensitize officials/ administrators at the State and district level on the need to expedite the setting up of and implementation of investment projects at the grassroots level. Further, the Committee may be apprised of the steps taken in this direction.  

(Para 5.4)

Starting a Business

10. The Committee takes note of various reforms, undertaken by the Government to improve a business friendly environment in the country. The Committee is, however, of the view that there is an urgent need to further reduce the procedures and the time taken for starting a business. The Committee is hopeful that the newly introduced web-form, namely, ‘SPICe+ and AGILE-PRO’ will take us in this direction. The Committee recommends that concerted effort should be taken to integrate all Ministries, State Governments and all relevant stakeholders under the web-based system so that it can become a one stop solution for obtaining all required clearances for starting a business. The Committee further recommends that the web-based system be implemented to cover all the States at the earliest.  

(Para 5.9)
Getting Credit

11. The Committee takes cognizance of the steps taken for easing the process of getting credit. The Committee, during its interaction with various industry bodies, however, observed that high cost of finance has been one of the factors that hindered the competitiveness of domestic manufacturers in the global market. The Committee recommends to the DPIIT that facility for providing long term financing at a competitive rate may be worked out in-coordination with Department of Financial Services, Ministry of Finance. The option of channelizing insurance and pension funds for long term investment may also be explored. (Para 5.11)

12. Further, the Committee was informed that, MSMEs particularly, are facing difficulty in availing their credit requirement. Even when credit facilities are provided under various schemes, they find it hard to avail the benefit due to the lack of awareness about the scheme or difficulty in fulfilling the procedural niceties. The Committee, therefore, recommends that necessary handholding should be provided to the MSME sector to enable them to avail the financial benefits intended for them. (Para 5.12)

Getting Electricity

13. The Committee is pleased to observe that notable progress has been made with regard to reducing the process, cost and time for getting electricity and also providing reliable supply of power to industries in Delhi and Mumbai. The Committee recommends that measures undertaken in these two cities may be replicated across the country, especially to industrial areas, so that a nation-wide improvement in getting electricity can be achieved. (Para 5.16)

Protecting Minority Investors

14. The Committee expresses its concern over the slip in the country's position in this aspect. The Committee is of the opinion that even a small slip in its ranking at this juncture would have a large impact on investment by minority investors. The Committee, therefore, urges the government to work with the stakeholders to rededicate themselves for protection of minority investors. (Para 5.19)

Registering Property

15. The Committee observes that registering property for industrial purposes is a cumbersome and costly process in India, which is reflected by the country's 154th position on this parameter in Ease of Doing Business Report. The Committee recommends that the number of steps involved in registering a property should be reduced and an online
single window portal for registering property which integrates multiple authorities/agencies and other relevant stakeholders should be created. Further, all land records and the required cadastral maps should be prepared and fully digitized in all States. The stamp duty rate for registering property should be appropriately decreased to a level comparable to other competing countries. (Para 5.23)

Dealing with Construction Permits

16. The Committee observes that notable reforms have been undertaken with regard to dealing with construction permit. It is, however, observed that most of the reforms undertaken are confined to Delhi and Mumbai. The Committee recommends that the reform measures should be implemented across India. Further, the Committee recommends that all procedures with regard to construction permit be made fully online and physical process be eliminated. (Para 5.28)

Resolving Insolvency

17. The Committee recommends the Ministry of Corporate Affairs to ensure that the prescribed time period for completion of insolvency resolution process under Section 12 of the Insolvency and Bankruptcy Code, 2016 as amended by the Insolvency and Bankruptcy Code (Amendment) Act, 2019 are strictly adhered to by relevant stakeholders. The Committee further recommends that international best practices for resolving insolvency issues are incorporated under the Insolvency and Bankruptcy Code, 2016 from time to time. (Para 5.31)

Paying Taxes

18. The Committee is of the view that there is a need for simplifying the taxes and making it taxpayer friendly. The Government should, therefore, evolve a mechanism to streamline the way for efficient and error free filing of returns. Further, adequate provision should be built in to curb tax evasion. (Para 5.34)

Enforcing Contracts

19. The Committee is deeply concerned to note that India ranked 163rd in Enforcing Contracts as per the World Bank’s Ease of Doing Business Report, 2019. The Committee, therefore, recommends the Department for Promotion of Industry and Internal Trade in coordination with the Department of Justice to take concerted effort for the expeditious resolution of commercial disputes. The Committee further recommends that steps should be taken for simplifying litigation processes and procedures, providing fixed time lines for resolution of
disputes and expediting the utilization of IT processes of courts and digitizing court records. (Para 5.39)

Trading Across Borders

20. The Committee recommends the Government to take necessary measures for further easing the flow of goods and reducing the time taken for both border and documentary compliance across borders. (Para 5.41)

ISSUE OF LAND ACQUISITION

21. The Committee strongly feels that a long-term solution to the land issue needs to be worked out in a structured manner. The Committee, therefore, recommends the Government to constitute an Empowered Committee of State Ministers and the concerned Central Ministers for discussing the issues with regard to land acquisition and build a consensus on land reforms, in consultation with industry and other stakeholders. The said Empowered Committee should look into issues relating to land acquisition policies, digitization of land records and simplifying administrative procedures like registration and land use conversion. Further, the possibility of having a land bank which will be made readily available for developmental projects may be discussed with concerned stakeholders. (Para 6.2)

LOGISTICS ISSUES

22. The Committee observes that the costs of logistics are distressingly high in various sectors as shown in the table above. The Committee notes that one of the reasons for the high logistics cost is insufficient and poor-quality warehousing infrastructure and inefficient inventory management resulting in loss of perishable goods. The Committee, therefore, recommends that the warehousing infrastructure should be upgraded to meet the increasing requirements of various sectors and inventory management should be improved through increased digitization and automation of the process. The Committee further recommends that the availability and efficiency of refrigerated transport, storage and processing facilities for medical and agricultural goods should be improved. The Committee also recommends that warehousing and distribution centres should be strategically located to ensure a quick and easy access to transport network as well as cover large areas of consumer demands so as to shorten lead time and increase service area of distribution. (Para 7.8)
Challenges in logistics sector

23. The Committee recommends the Department of Commerce to take steps towards the consolidation and formalization of the fragmented logistic landscape. The Committee further recommends that necessary incentives should be provided to logistic operators to enable them to undertake the required technological and skill upgradation to meet the changing demands in the logistics sector. (Para 7.10)

24. The Committee is of the view that the improvement of the railway and inland waterways/coastal shipping infrastructure is vital for increasing their share in the overall transport system in the country. The Committee, therefore, recommends that the capacity of railway network should be increased by improving railway infrastructure, building reinforced bridges and expediting the construction of industrial corridors. The Committee further recommends that the implementation of Bharatmala and Sagarmala projects should be expedited and completed at the earliest. (Para 7.11)

25. The Committee notes that the Logistics Division under the Department of Commerce has been assigned the task of the "Integrated Development of Logistics Sector" in the country. The Committee, therefore, recommends the Department of Commerce to take concerted measures to ensure coordination and integration among various Ministries, agencies and other stakeholders at the Central and State level to streamline the logistics sector. (Para 7.12)

26. The Committee was informed that the Logistics Division is in advance stage of developing the National Logistics Policy, 2020, for integrated development of the sector. The Committee, therefore, recommends the Department of Commerce to finalize the formulation of the policy at the earliest in order to provide consistency in policy and regulation in the logistic sector. (Para 7.13)

27. The Committee was also informed that the Logistics Division is also drafting a National Logistics Act which would replace the Multi Modal Transportation of Goods Act, 1993. The Committee, therefore, recommends the Department of Commerce to expedite the enactment of the Act at the earliest in order to provide a national framework for efficient governance of the logistics sector in India and enhancing its competitiveness. (Para 7.14)

28. The Committee, therefore, recommends that a pan India travel pass may be issued by a central agency to trucks and other transport vehicles that are carrying goods for export to enable their seamless
travel throughout the country. The Committee further recommends that feasibility of providing designated trains, which could be used only for carrying goods for export purposes, for transport of goods between export product clusters and ports may be explored. (Para 7.15)

AUTOMOBILE INDUSTRY
Overview of the Industry

29. The Committee takes note of the automobile industry as a key driver of the economy. The Committee is distressed to note that the automotive industry has registered a negative growth rate for five quarters in a row during 2019-20 and 2020-21. The Committee also notes with concern that the industry is heavily dependent on imports which it feels needs to be addressed immediately. The Committee, therefore, recommends a three-pronged approach to address the issues faced by automotive industry, build domestic capacity and attract investment. (Para 8.6)

30. Boosting Domestic Demand
(i) The rate of GST should be reduced from 28 per cent to 18 per cent for all categories of vehicles and auto components; and
(ii) An incentive-based vehicle scrappage scheme should be introduced at the earliest. (Para 8.6.1)

31. Export Promotion
(i) Invest in brand building and promote Indian brands in the international market;
(ii) Exploring and pursuing prospective markets such as Algeria, Nigeria, Uganda, Kenya, South Africa, Egypt, Ethiopia, Indonesia, Vietnam, etc. and signing FTAs/FTPs with these countries. Supporting countries in developing an automotive industry policy, technical regulations and testing facilities for vehicles will give India an advantage in these markets;
(iii) RoDTEP compensation rates for vehicles should be made higher or at least at the same level provided under MEIS scheme; and
(iv) Continued dialogue with policymakers of countries such as Bangladesh, Nepal, Sri Lanka and many African countries which are importers of second-hand vehicles to highlight concerns about using refurbished vehicles and dissuading them from importing the same. (Para 8.6.2)
32. **Improving Ease of Doing Business**

(i) Ease of doing business should be improved, and the cost of doing business in the country needs to be reduced;

(ii) At present, multiple Ministries and Departments are involved in making regulations for the automobile industry. A dedicated Department/Ministry should be created/assigned which will be the sole regulator of the industry;

(iii) A single window facility for getting all the required approval and clearances for setting up manufacturing facility should be provided. Further, easy and preferential clearances should be provided for imports of equipment, machinery and other necessary items for setting up and commencing manufacturing in the country; and

(iv) Land required for setting up manufacturing plant and uninterrupted electricity at subsidized rate should be provided.

(Para 8.6.3)

**Electric Vehicles**

33. The Committee is distressed to note the poor performance of the FAME-II scheme. The Committee observes that the sale of electric vehicles (EVs) across all segments during 2019 has not been satisfactory. The Committee recommends the Department of Heavy Industry to furnish the reasons for the poor performance of the scheme and take concerted effort to achieve the intended target within the specified time frame.

(Para 8.11)

34. The Committee notes that the Department of Heavy Industry has taken measures to address the issue of charge anxiety and range anxiety. The Committee, however, is of the opinion that the current installation of charging infrastructure will be far from adequate to meet the charging requirement of the expanding EV sector. The Committee, therefore, recommends the Department to expedite the installation of charging stations across the county.

(Para 8.12)

35. The issue of price anxiety remains a critical issue that needs to be addressed for creating a vibrant EV environment in India. To address the issue, the Committee recommends the Department of Heavy Industry to act on the following:

(i) Generate demand volume for the EV battery systems through increasing uptake of EVs in the public transportation system so
that the battery industry will achieve the required economies of scale;

(ii) A Battery/Cell Manufacturing Policy should be formulated to provide a stable and long-term road map for the manufacturing of batteries; and

(iii) Incentivise the development and manufacture of EV parts and charging systems, including various electronic components. In this regard, support should be provided for investments in developing green-field projects for development of common child parts for the EV industry and also integrate development of electronic components required not only for the auto sector but also for the consumer goods.  

Research and Development

36. The Committee opines that adequate support needs to be provided to industries for conducting research and innovate their products so that they remain competitive in terms of design and cost in the domestic as well as global markets and also decrease our dependence on countries like China, Japan, etc., for automotive parts. The Committee, therefore, recommends that the weighted deduction provided on expenditure related to R&D activities u/s 35(1) should be increased to 200 per cent from the current rate of 100 per cent. The Committee further recommends that the benefit of weighted deduction of R&D expenses should also be allowed where contribution is given to third-party R&D service providing companies and also for expenses incurred outside like testing fee and consultancy fee.

37. To motivate spending on in-house R&D by small manufacturers, the Committee recommends that an additional benefit by way of increasing the existing weighted deduction, over and above the recommended 200 per cent, be provided for small manufacturers.

38. The Committee recommends that the existing ambiguity should be clarified at the earliest and that the above-mentioned activities be allowed for weighted deduction under section 35(2AB) as these activities are part of the R&D process.

39. The Committee recommends that these centres are provided adequate grants to enable them to undertake research in cutting-edge technologies in automotive sector, which can then be commercially made available to the Industry for adoption.
PHARMACEUTICAL INDUSTRY

Addressing the import dependence: A step towards Atmanirbhar Bharat

40. The Committee is deeply concerned at the heavy dependence on China for APIs/Bulk drugs. The Committee opines that any disruption in the supply of these critical ingredients can have adverse impact on drug security, which is also linked to the overall economy of the country and, therefore, need to be addressed swiftly. The Committee is hopeful that the two schemes, i.e., PLI and Promotion of Bulk Drug Parks will help India in attaining self-sufficiency in manufacturing of APIs/bulk drugs. (Para 9.7)

41. The Committee observes that it will take time for the newly announced API parks to initiate production and that the industry cannot wait for such parks to start production. In view of this, the Committee recommends that the benefits under the two new schemes may be extended to existing API plants, plants undergoing expansion and also new standalone API plants which are coming up. This will help in achieving self-sufficiency and reducing import from China in the short term. (Para 9.8)

42. The Committee was informed that the Indian Pharmaceutical Industry has been sourcing its requirements of chemical intermediates of bulk drugs in large quantities from China. The Committee opines that there is an urgent need to support the chemical intermediate manufacturers in order to promote the manufacturing of APIs from domestically produced intermediates. The Committee, therefore, recommends that the incentives on the line of the PLI schemes may be extended to domestic chemical intermediate manufacturers. (Para 9.9)

43. The Committee further recommends that a single window clearance facility with faster regulatory clearances be accorded to the API parks. In addition to the financial incentives, other incentives such as subsidy on interest rates and cheaper rate on gas/electricity, which is on par with competing countries, may be provided to the API parks. (Para 9.10)

44. The Committee feels that the domestic production of drugs will increase in the near future with the anticipated success of the newly announced schemes. The Committee, therefore, recommends the Department of Pharmaceuticals to take steps for expanding export to underpenetrated markets such as Japan, Latin America and Indonesia.
in consultation with Department of Commerce for boosting exports of bulk drugs.  

(Para 9.11)

45. The Committee notes that pharmaceutical industry is one of the most polluting industries and is accordingly subjected to stringent restrictions due to environmental concerns. In view of the need to balance the environmental concerns of our country and the urgent requirement of promoting domestic manufacturing of drugs, the Committee recommends the following:

(i) To help the pharmaceutical industries meet demand during period of high demand, an increase in 15 per cent over the approved pollution load may be allowed for a particular month. Further, the requirement of environmental clearance for additional pollution load may be insisted only when a particular plant exhibit an increase in pollution for six consecutive months;

(ii) A time bound approval system for grant of Consent to Establish/Consent to Operate/other approvals, etc. from the date of submission of complete application may be developed by the State Pollution Control Boards; and

(iii) The Environmental Clearance should be given for total permissible quantity of API or Drug Intermediates, with the quantum of approved pollution load.  

(Para 9.12)

46. The Committee was informed that multiplicity of notifications regarding changes in labeling requirements and implementation of Quick Response (QR) code and lack of clarity on implementation creates confusion to the industry. The Committee, therefore, recommends that consolidation and harmonization of requirements and processes regarding labeling and QR codes are carried out at the earliest and that sufficient time for implementation may be provided to industries to comply with the process.  

(Para 9.13)

47. The Committee was informed that a robust system of track and trace has not been fully developed in the domestic pharmaceutical market. The Committee recommends the Department of Pharmaceuticals to work with industry associations to develop/procure the required software and hardware and stringently implement the system of track and trace to tackle the issue of spurious/counterfeit drugs. The Committee further recommends that necessary support be provided to MSMEs for installation of the system.  

(Para 9.14)
Research & Development (R&D)

48. The Committee notes that the promotion of R&D and innovation in the pharmaceutical industry is critical for country's domestic industries to remain competitive in the global market and attract investments in the field. The Committee, therefore, recommends that the following measures should be taken for creating a vibrant R&D ecosystem in India:

(i) Any breakthrough innovation should be accorded faster approval;
(ii) The weighted deduction for R&D should be restored to 200 per cent. This will motivate industries to enhance their R&D spending;
(iii) Encourage industry-academia collaboration;
(iv) Strengthen the Indian Patent Office to ensure faster examination and grant of patents and also provide stringent protection to Intellectual Property Rights; and
(v) The Government should encourage innovation by actively involving as a partner in R&D efforts and increasing its spending in research activities.

Indian Medical Device Market

49. The Committee is disconcerted to note the heavy dependence on imports of medical devices. The Committee opines that the reduction in dependence on imports through the promotion of domestic manufacturing of medical devices is of utmost importance for ensuring the medical security of our country. The Committee also notes that the domestic manufacturing capacity is limited to products such as surgical, cardiac stents, general medical devices and consumables while it is yet to develop manufacturing capacity in many of the high-end devices and diagnostic equipments. The Committee, therefore, recommends the Department of Pharmaceuticals to incentivize the manufacturing of high-end medical devices by providing necessary support for the creation of manufacturing capacity of these devices in India. The Committee further recommends that necessary support/incentives may be provided for the construction of critical projects such as MedTech City in Vishakhapatnam so that it may be completed at the earliest and utilized to its full potential to enable domestic manufacture of medical devices and reduce import.
50. The Committee observes that the performance of export *vis-à-vis* import has not been satisfactory. The Committee recommends that the Department of Pharmaceuticals, in coordination with the Department of Commerce, identify markets for export of medical devices and provide necessary support for promotion of exports. (Para 9.24)

51. (i) **Price Controls**: The Committee recommends that the pricing of medical devices must be separated from that of drugs in view of the difference in nature of the two products. The Committee further recommends that a separate regulatory body should be created to review and control the price of medical devices. The regulatory body should be tasked with formulating appropriate prices for medical devices while maintaining a balance between affordability and access to medical devices and profitability of the manufacturers in view of the technologically intensive nature of the industry.

(ii) **Presence of Multiple Regulators**: The Committee notes that the Medical Device Rules, 2017 are a good step in the right direction. The Committee, however, is of the opinion that there should be full separation of ‘drug’ and ‘device’ regulations with specific medical device regulations that are appropriate for this category and also aligned with global best practices. This will facilitate better focus on standards, quality and compliance to enhance the industry stature. The Committee, therefore, recommends that a separate Medical Devices Regulatory Act, which will regulate the medical devices sector, should be enacted at the earliest.

(iii) **R&D and Innovation**: The Committee recommends the Department to provide appropriate incentives and support to the medical devices industry for fostering a vibrant R&D environment in India. (Para 9.25)

**Schemes for Promotion of Medical Devices Manufacturing**

52. The Committee appreciates the schemes introduced by the Department of Pharmaceuticals for promotion of domestic manufacturing of medical devices. The Committee recommends the Department to ensure the implementation of the schemes in a timely manner. The Committee is hopeful that successful implementation of these schemes will result in decline in import of medical devices and achieve the goal of self reliance in medical devices. (Para 9.28)
ELECTRONICS INDUSTRY

Overview of the Industry

53. The Committee takes cognisance of the efforts undertaken by the Ministry of Electronics and Information Technology and applaud its achievements especially in the manufacture of mobile phones. The Committee, however, expresses its concern regarding the ambiguity in differentiation between manufacturing and assembly process. The Committee is apprehensive that most of the mobile phones which are claimed to have been manufactured in India might have been actually assembled with parts imported from elsewhere. The Committee was apprised by industry associations that the assembly of mobile phones are undertaken by third party Electronics Manufacturing Services (EMS) who are importing components in Semi Knocked Down (SKD)/Completely Knocked Down (CKD) form and assemble without any local procurement and claimed the status of ‘Make in India’. This process of assembly does not benefit the domestic industries as the third party EMS does not invest in infrastructure or does not facilitate the transfer of technology. The Committee, therefore, recommends the Ministry to clarify on the ambiguity between manufacturing and assembly. The Committee further recommends that any investment by foreign entity in electronics manufacturing, be it third party EMS, must be attached with a requirement of investment in infrastructure and promise of technology transfer so that domestic production of critical components can be achieved in the long run.

54. The Committee observes that the competency of India in the electronic value chain is minimal. The Committee is of the opinion that India needs to step up its efforts in building capacity for manufacturing of critical electronics components in order to attract investment and to integrate with the global electronics value chain. The Committee, therefore, recommends the Ministry of Electronics and Information Technology to undertake targeted efforts towards designing, manufacturing, production and testing of the electronics components. The Committee further recommends to make rigorous effort on the front of R&D and innovation, to enable India to become a global leader in electronics value chain.

Schemes launched during the lockdown to help the Electronics Sector

55. The Committee applauds the proactive measures taken by the Ministry of Electronics and Information Technology for reducing dependence on a single market/ geographical region and exploring alternate destination for sourcing of components required by the
electronics industry. The Committee also appreciates the schemes notified for the electronics industry. The Committee is hopeful that the new schemes will attract global manufacturing industries, result in indigenization of electronic supply chain, reduce dependence on import and build a stable and vibrant electronics ecosystem in the country. The Committee, therefore, recommends the Ministry to ensure efficient implementation of the schemes and lend necessary assistance to eligible industries/manufacturing units in navigating the regulatory and administrative hurdles so that the offtake of the schemes are not delayed due to these issues.

(Para 10.10)

Import Duty on Electronic Goods

56. The Committee observes that the electronic goods industry is not provided any duty protection which makes the domestic industries vulnerable to cheap imports from other countries. The Committee is of the opinion that since the Government is focusing on promoting domestic production of electronic products, it might be in the best interest of our country to provide protection to the domestic industry till the time it is competent enough to compete with global manufacturers. The Committee, therefore, recommends the Ministry to have deliberations with industry associations and other relevant Department/Ministries regarding the feasibility of providing protection to the electronic industry.

(Para 10.12)

Semiconductor integrated Chip Ecosystem

57. The Committee takes note of the fact that the Semiconductor Integrated Circuits is one of the costliest components of the electronic products contributing around 30 per cent of the total cost. The Committee notes that India may have to look at a minimum of a 28 or 14 nanometer FAB which involves an investment between USD 8-10 Billion which is too capital intensive for private sector alone to embark on this initiative. The Committee, therefore, recommends that a separate scheme for the establishment of Semiconductor FAB may be devised with the provision for adequate capital support.

(Para 10.17)

TOY INDUSTRY

Overview of the Industry

58. The Committee observes that the toy industry is highly fragmented which it feels has impeded the development of the industry as small scale manufacturers are unable to achieve the desired level of production and competitiveness due to lack of economies of scale. The Committee recommends that cluster manufacturing may be promoted on wide scale
and manufacturing zones for toys with plug and play facilities must be provided for the toy industry with adequate financial support. (Para 11.3)

59. The Committee was informed that the market for traditional toys is dwindling due to shift in market towards electronics and virtual toys and inability of the traditional toy manufacturers to innovate their designs to meet the changing market demand. Further, they are unable to compete with the machine-made toys. The Committee recommends that necessary assistance in manufacturing process, design and innovation should be provided to the traditional toy manufacturers to enable them to catch up with the technological developments in the toy industry. The Committee further recommends that a specific scheme for promotion, upgradation and manufacturing of traditional toys may be formulated.  

(Para 11.6)

Import of Toys

60. The Committee is deeply concerned by the huge inflow of imported toys from China and its adverse impact on the domestic industries. The Committee is of the opinion that the development and nurturing of domestic industry and the promotion of domestic manufacturing of toys is of utmost importance. The Committee, therefore, recommends that concerted effort should be taken to promote domestic toy manufacturing. Further, the Committee recommends that necessary measures may be taken to check the huge inflow of unauthorized import and provide protection to domestic industries through the imposition of appropriate tariff or non-tariff barriers.  

(Para 11.11)

61. The Committee further expresses its concern regarding the prevalence of counterfeit /unlicensed toys. The Committee recommends that the Quality Control Order for toys is implemented in a stringent manner and that appropriate penalty is imposed on importers/dealers that are found to violate the order. The Committee further recommends to create more awareness among consumers, especially among parents, to educate them about the danger of using counterfeit /unlicensed toys and their impact on children.  

(Para 11.12)

Identification of Toy Industry as a “Focus Sector”

62. The Committee recommends that a separate toy design institute tasked with creating designs which can be commercialized on large scale should be set up to cater to the design needs of the toy industry.

(i) The Committee recommends that the multiplicity/duplicity in licensing requirement may be sorted out at the earliest in consultation with the industry. The Committee is of the view that
unnecessary licensing requirement leads to delay in the manufacturing process and hamper the doing business environment. The Committee further recommends that necessary assistance may be provided to the micro firms in meeting the licensing requirement.

(ii) The Committee opines that the easy availability of raw materials at a competitive rate is essential for the development of the domestic toy industry. The Committee, therefore, recommends that the issue with regard to the sourcing of required raw materials need to be sorted out by formulating an appropriate procurement strategy for raw materials.

(iii) The Committee is of the view that upgradation of technology is required to enable the toy industry to be competitive in the global market. The Committee, therefore, recommends that the required financial support is provided to toy manufactures to enable them to upgrade their existing technology and also acquire the best available manufacturing process. The Committee was informed that the equipments needed to make electric toys are imported from South Korea and Japan which attract high import duty. The Committee, therefore, recommends that the import duty on such equipments should be lowered to enable domestic manufactures to import them at a cheaper price.

SOLAR INDUSTRY
Overview of the Industry

63. The Committee observes that the renewable energy capacity addition has achieved a satisfactory growth rate during the last six years. The Committee, however, is perturbed to observe that the actual installed capacity has barely crossed the halfway mark of the targeted capacity addition of 175 G.W. by 2022. It further observes that a notable capacity addition has been under implementation. In view of the long time taken for completion of solar development projects, the Committee is concerned that the country may not be able to achieve the intended target at the current pace of development. The Committee, therefore, recommends that concerted steps should be taken to ensure that solar projects which are under implementation are completed within a definite time frame. The Committee further recommends that development of projects may be initiated at the earliest for which bidding/tendering have already been done.
Steps taken during COVID-19

64. The Committee appreciates the steps taken by the Ministry of New and Renewable Energy for facilitating ease of doing business in the renewable energy sector. The Committee is hopeful that the measures taken will result in boosting investor’s confidence and attracting investment in the sector. The Committee recommends the Ministry to ensure that all instructions/advice/recommendations made by the Ministry are strictly adhered to by all the concerned stakeholders. The Committee further recommends the Ministry to provide necessary handholding to potential investors to enable them to navigate the administrative and regulatory hurdles in the sector. (Para 12.7)

Investment in Renewable Energy Sector

65. The Committee is of the view that liberalizing of FDI alone does not suffice and that a conducive business ecosystem needs to be created for attracting investment. The Committee recommends the Ministry to take proactive measures to rectify the regulatory and administrative hurdles that hindered the development of renewable energy sector. The Committee further recommends that continued efforts should be made for attracting FDI into the renewable energy sector. (Para 12.9)

Solar Manufacturing

66. In view of the challenges faced by the domestic manufacturing industries, the Committee recommends the following measures to promote domestic manufacturing of solar components and attract investment in the solar sector:

(i) The Domestic Content Requirement (DCR) under the Solar PV Power Projects by Central Public Sector Undertakings, Pradhan Mantri Kisan Urja Suraksha Evam Utthan Mahabhiyan (PM-KUSUM) and Roof Top Solar Programme needs to be expedited and implemented at the earliest;

(ii) Approved List of Models and Manufacturers (ALMM), which has been pending for almost 3 years, should be finalized and implemented at the earliest;

(iii) Issue with regard to duplicity in certification by International Electrotechnical Commission (IEC) and Bureau of India Standards (BIS) certification may be sorted out in consultation with industries. This will mitigate the additional cost paid by the domestic manufacturers for IEC and BIS certification;
(iv) A competitive power rate which is on par with other manufacturing countries should be provided to solar cell and module manufacturers through subsidy and exemption of electricity duty;

(v) To boost export of solar components, an enhanced export subsidy should be provided;

(vi) To enable the manufacturing industries meet their financial requirement, the solar sector may be brought under priority sector lending and subsidized interest rate may be provided;

(vii) The issue of inverted duty structure where input raw material attracts higher GST rate than end product may be rectified. Further, the list no. 19 under Sr. No. 426 of Customs Notification No. 50/2017 dated 30th June, 2017 for import of manufacturing equipment for solar PV manufacturing under duty free category is outdated as the same was originally issued in 2012 and should be updated immediately;

(viii) Support may be extended to the existing manufacturing units for undertaking the required technological upgradation; and

(ix) Suitable policy should be formulated wherein global players will be attracted to invest in India with local partnership for manufacturing of glass, aluminium, and other raw materials like Ethylene Vinyl Acetate (EVA), back sheets to achieve the indigenization of the entire solar value chain. (Para 12.11)

Safeguard Duty

67. The Committee was informed that safeguard duty has been unable to provide protection to domestic industries due to issues in its implementation. It was further informed that domestic solar developers, who have imported components from other countries by paying safeguard duty, have been able to drawback the duty paid under the change in law clause. This has made the imported solar components cheaper than components manufactured in India thereby, inadvertently promoting import. The Committee, therefore, recommends that the a Basic Custom Duty in the range of 25-50 per cent should be announced immediately in order to protect domestic industries from the onslaught of cheap imports and promote domestic manufacturing of solar components. (Para 12.13)
STEEL INDUSTRY

Overview of the Industry

68. The Committee observes that despite the moderation in import of steel and significant increase in export under both Chapter 72 and Chapter 73 of the Customs Tariff Act, 1975, there exists huge trade deficits in the steel sector. The Committee further observes that there is huge import of Chapter 73 products from China and expresses its deep concern. The Committee opines that the huge dependence on a single country might adversely impact infrastructure and other development projects in our country in a situation of supply chain disruptions. The Committee recommends that this heavy dependence on a single country should be quickly addressed by exploring alternative source for acquiring Chapter 73 products in the short term and by building domestic capacity or incentivizing foreign manufacturers specialized in the manufacture of steel items under Chapter 73 to set up their manufacturing/processing units in India. (Para 13.5)

69. To address the huge trade deficit in the steel sector, the Committee recommends the following trade measures:

(i) The inverted duty structure faced by Indian Steel industry should be corrected by eliminating tariffs on import of input raw materials;

(ii) Eliminating the ‘Lesser Duty Rule’ in anti-dumping and anti-subsidy investigations;

(iii) Re-negotiating India’s Free Trade Agreements with ASEAN, Japan and South Korea to ensure reciprocity. Until this is carried out, concessional tariffs with these countries should be suspended. India’s concession to the ASEAN has been far in excess than concessions granted to India;

(iv) Periodic compliance assessment to be carried out with respect to Rules of Origin to arrest market access at concessional tariffs for non-FTA countries. Domestic content labelling requirement across value chain should be made mandatory;

(v) Introduction of anti-absorption regulations in order to bring in a level playing field between domestic and imported steel. Anti-Absorption regulations are operational in EU, USA and Australia; and

(vi) The Committee observes that the production of crude steel in 2019 was 111.245 Million Tonnes (MT) while domestic crude steel
production capacity in 2019 was 142.24 Million Tonnes (MT) resulting in underutilization of capacity. Therefore, concerted efforts must be taken to fully utilize the manufacturing capacity and reduce import of steel. (Para 13.6)

Challenges faced by the domestic steel industry

70. High cost of capital: The Committee recommends that concessional tax and tax-deferment schemes for steel sector should be worked out and implemented. The Committee desires that the steel sector should be granted infrastructure status to make it easier for availing the required financing. Further, a financial institution to manage the financing of capital investment, working capital, seed capital, etc. may be set up. (Para 13.8)

71. The Committee recommends the Ministry of Steel, in coordination with Ministry of Railways, to devise measures to address the issue faced by the steel sector. The Committee is of the view that the expansion of railway infrastructure offers the long-term solution to this issue. The Committee, therefore, recommends that concerted effort should be taken for the development of railway infrastructure and improvement of freight capacity of railways. (Para 13.10)

72. The Committee, therefore, recommends that the various regulatory and administrative hurdles impeding the construction of slurry pipelines must be addressed immediately by taking appropriate measures. The Committee further recommends that a clear-cut policy regarding the regulation of RoU along railway tracks must be formulated and finalized at the earliest. (Para 13.11)

73. The Committee, therefore, recommends that the development of the above-mentioned National Waterways should be expedited and completed at the earliest. (Para 13.12)

74. Higher Effective Tax Rate (ETR): The Committee notes that the higher effective tax rate has impeded the development of the Indian steel industry and has adversely impacted their competitiveness in the global market. The Committee, therefore, recommends that a viable tax rate for the steel industry should be worked out and reduction in tax or waiver wherever applicable, should be provided to enable them to compete with their global counterparts. (Para 13.13)

75. Regulatory delays: The Committee expresses its deep concern about the regulatory delays in the setting up of steel plant. The Committee strongly feels that the time taken for obtaining statutory clearance should be reduced to less than one year. The Committee,
therefore, recommends that a time bound process for clearing all the regulatory and other statutory requirements should be formulated and the process of obtaining approval should be further simplified.

(Para 13.14)

Summation

76. The Committee feels that the main challenges faced by the country presently are - administrative and regulatory hurdles, inadequate and costly credit facility, tedious land acquisition procedure, inadequate infrastructure facilities, high logistics cost and large unorganised manufacturing sector, among others. The policy changes and the incentive schemes brought in by the Government to overcome these challenges are welcome measures and are in the right direction. However, success depends on the implementation of the reforms through seamless co-ordination between various Ministries and Departments of Government of India as well as the Central and State Governments. There is an imperative need to sensitize the State machinery/administration towards the importance of investment and business and its role in spurring the economic growth of the country. It is important to understand that a number of countries are competing to attract foreign investors and reorienting their capacities and strategies aimed at reduction of imports and optimizing export potential. The Committee, therefore, feels that the proactive approach of the Government combined with trust and credibility to meet the commitments and to fulfill the promises will be a crucial factor to attract investment. The Committee recommends that the Department should look into the policy changes brought in by countries like Vietnam, Taiwan, Thailand, etc. that made them more attractive to the companies shifting their bases from China. The Committee is also of the opinion that the Government should enter into more international trade agreements which are beneficial to the country in order to boost its international trade relations. The Committee hopes that the Department for Promotion of Industry and Internal Trade will play its pivotal role in taking the country forward on its path towards self reliance, creating a conducive ease of doing business environment and capitalizing on the investment opportunities coming into India.

(Para 13.18)
The Department-related Parliamentary Standing Committee on Commerce met at 2.30 P.M. on Monday, the 27th July, 2020 in Main Committee Room, Parliament House Annexe, New Delhi.

MEMBERS PRESENT
1. Shri D.M. Kathir Anand— In the Chair

RAJYA SABHA
2. Shri Sushil Kumar Gupta
3. Shri Jugalsinh Mathurji Lokhandwala
4. Shri Om Prakash Mathur
5. Shrimati Priyanka Chaturvedi

LOK SABHA
6. Shri Rajkumar Chahar
7. Shri Chandra Prakash Joshi
8. Shri Srinivas Kesineni
9. Shri Manoj Kishorbhai Kotak
10. Shri Nakul K. Nath
11. Shri Hemant Patil
12. Shri K. Shanmuga Sundaram
13. Dr. Amar Singh

SECRETARIAT
Shri Sunil Dutt Nautiyal, Joint Secretary
Shri S. Jason, Director
Shri S.C. Dixit, Additional Director
Shri Kuldip Singh, Under Secretary

WITNESSES
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE (DPIIT), MINISTRY OF COMMERCE AND INDUSTRY
1. Dr. Guruprasad Mohapatra, Secretary
2. Shri Shailendra Singh, Additional Secretary
3. Shri A.S. Bhal, Senior Economic Adviser
4. Shri K.S. Murthy, CEO & MD, DMICDC
5. Shri Anil Kumar Agrawal, Joint Secretary

* 1st to 11th Meetings of the Committee pertain to other matters.
6. Shri Ravinder, Joint Secretary
7. Shri Rajendra Ratnoo, Joint Secretary
8. Ms. Manmeet Kaur Nanda, Joint Secretary
9. Ms. V. Radha, Joint Secretary

2. In the absence of Chairman, Shri D.M. Kathir Anand, who had been authorised by the Chairman, presided over the meeting. He welcomed the Members of the Committee and informed about the agenda of the meeting.

3. The Committee, thereafter, took up the second agenda of hearing the views of the representatives of Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, on the newly selected subject of 'Attracting Investment in post-Covid Economy: Challenges and Opportunities for India'. Regarding the newly decided subject, the Chairman drew the attention of Members to Rule 294(1) of the Rules of Procedure and Conduct of Business in the Council of States (Rajya Sabha) and requested them to declare any personal or pecuniary interest pertaining to the subject.

5. The Chairman then sought the views of the representatives of DPIIT on the subject 'Attracting Investment in post-Covid Economy: Challenges and Opportunities for India'. He enquired about the steps being undertaken to make India an attractive destination for global investments and the challenges thereof and the measures being taken to boost manufacturing and industrial production as well as other related issues.

6. The Secretary thanked the Committee and initiated his submission by highlighting India's Industrial Performance which registered -34.7 per cent for the month of May, 2020. He further underlined the strengths of Indian economy like strong macro-economy fundamentals and demographic dividend as well as the challenges such as high cost of inputs, inadequate infrastructure, stagnancy in manufacturing sector, etc.

7. The Secretary emphasized upon the significance of 'Atmanirbhar Bharat' or Self-reliant India in post-covid world to increase domestic capacity and strengthen production network. The Committee was apprised of India’s enhanced capacity in becoming a net exporter of medical equipments needed for fight against covid-19. He also apprised the Committee on important schemes such as National Infrastructure Pipeline,

*** pertains to other matter.
measures to spur domestic manufacturing, emphasis on phased manufacturing under the Make in India programme, identification of subsectors for attracting investments and creation of Project Development Cells, Investment Clearance Cell, etc.

8. The Committee was informed about the setting up of FDI Monitoring Cell and steps to check delays in FDI approval, proposed schemes for encouraging Start-ups i.e., Credit Guarantee Scheme for Start Ups (CGSS) and Start up India Seed Fund Scheme as well as adoption of Quality Control Orders to prevent substandard imports. The Secretary further briefed about the interventions undertaken by the Department for increasing participation of Indian bidders in public procurement, progress in development of Industrial Corridors, efforts to improve India's ranking in Ease of Doing Business and international cooperation.

9. The Committee raised its concern on declining trend of Gross Capital Formation in recent years which reflects downslide in total investments. It dwelt upon the endeavours that are needed to be taken for stimulating investments in manufacturing sector including skill development. It further underlined the problem of routing of Chinese products via other South-Asian countries as well as adverse impact on pharmaceutical and telecom industry in wake of ban on imports from China. Issues such as anti-dumping duty on Vitamin C tablets imported from China, establishment of Pharma Parks, procedural complexities in exports from textile sector especially the medical coveralls such as PPE kits, etc. were also discussed.

10. The Committee stressed upon the need for focusing development of every sector of economy, establishing Processing Centre for horticulture in western Uttar Pradesh, labour reforms and promoting Information and Communication as well as security technology. It further deliberated upon undue delay in completion of Delhi Mumbai Industrial Corridor project and need for undertaking steps to rope in foreign investments in non-industrial belts of India and in various sectors such as technology oriented companies, semiconductors, solar panels, etc.

11. The Chairman then thanked the representatives of DPIIT for the inputs provided on the subject. He requested them to furnish written replies on issues raised by Members not addressed during the meeting.

12. A verbatim record of the proceedings of the meeting was kept.

13. The Committee then adjourned at 04.33 P.M.
THEIRTEENTH MEETING

The Department-related Parliamentary Standing Committee on Commerce met at 10.30 A.M. on Tuesday, the 28th July, 2020 in Main Committee Room, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri D.M. Kathir Anand — In the Chair

RAJYA SABHA

2. Shri Sushil Kumar Gupta
3. Shri Jugalsinh Mathurji Lokhandwala
4. Shrimati Priyanka Chaturvedi

LOK SABHA

5. Shri Rajkumar Chahar
6. Shri Chandra Prakash Joshi
7. Shri Srinivas Kesineni
8. Shri Manoj Kishorbhai Kotak
9. Shri Hemant Patil
10. Shri K. Shanmuga Sundaram
11. Dr. Amar Singh

SECRETARIAT

Shri Sunil Dutt Nautiyal, Joint Secretary
Shri S. Jason, Director
Shri S.C. Dixit, Additional Director
Shri Kuldip Singh, Under Secretary

WITNESSES

MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)

1. Shri A.K. Sharma, Secretary
2. Shri Piyush Srivastava, Additional Development Commissioner

In the absence of Chairman, Shri D.M. Kathir Anand presided the meeting. He welcomed the members of the Committee and informed about the agenda of the meeting. After a brief internal discussion, the witnesses were called for presentation.

The Chairman welcomed the representatives of Ministry of Micro, Small and Medium Enterprises (MSME) and sought their views on the subject ‘Attracting Investment in post-Covid Economy: Challenges and Opportunities for India’ as well challenges faced by the MSME sector in the
light of the Covid-19 induced lockdown and steps taken to address them. He further desired to be briefed on the steps taken by the Government to address the economic slowdown and attract investments shifting out of China.

4. The Secretary, MSME apprised the Committee on the opportunities and challenges faced by Indian economy and the MSME sector. He informed that India has a demographic dividend to its advantage, rich and diverse agro-climatic zone, long coastline, mineral and marine wealth. He, however, informed that India needs strong and vibrant national economy, industries and Small and Medium Enterprises (SMEs) to capitalize on its strengths. He further informed that the MSMEs are beset with challenges such as securing required financing, timely issuance of permits and licenses, high cost of logistics and transportation and scarcity of labour.

5. The Committee was then apprised about the need for maximization of value in agriculture produce, monitoring of expenditure and quality of works at the grass root level, creation of iconic centers of excellence of global standard, the need for improvement of both forward and backward linkages in agriculture, etc. It was further apprised about the influx of Chinese goods acting as a deterrence for foreign investors, the need for creation of a unified national single-window system for investment promotion, ensuring availability of land and other support infrastructure for potential investors, etc.

6. The Secretary then highlighted the steps taken by the Ministry to address the issues faced by MSMEs which includes the creation of multi-technology portal for lodging grievances of MSMEs and setting up control room to address them, schemes such as subordinate debt scheme and collateral free scheme to assist the stressed MSMEs, clearing dues by PSUs and Government agencies within 45 days, paperless registration of MSMEs through Udyam portal, etc.

7. The Committee then dwelt on the issues such as categorization of MSMEs, shortage of labour and the need for protection of labour, broken value chain, facilitation of companies shifting to India, getting credit and working capital. The issues of high pendency of payment from PSUs, delay in releasing of GST returns and the need for monetary relief were also discussed.

8. The Committee further discussed various issues with regard to MSMEs which include the need for reduction of Goods and Services Tax (GST) to 5 per cent, strict implementation and monitoring of Public Procurement Policy, relaxation of Non-Performing Assets (NPS) norms, nationwide participation of registered MSMEs in tenders, exemption from deposits for participation in railway tenders, etc.
9. The Chairman then thanked the Secretary and representatives of Ministry of Micro, Small and Medium Enterprises and requested them to furnish replies in writing on the issues raised by the Committee not addressed during the interaction. The witnesses then withdrew.

10. A verbatim record of the proceedings of the meeting was kept.

11. The Committee then adjourned at 12.52 P.M.
XIV

FOURTEENTH MEETING

The Department-related Parliamentary Standing Committee on Commerce met at 2.30 P.M. on Wednesday, the 26th August, 2020 in Main Committee Room, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri V. Vijayasai Reddy — Chairman

RAJYA SABHA

2. Shrimati Roopa Ganguly
3. Shri Sushil Kumar Gupta
4. Shri Jugalsinh Mathurji Lokhandwala
5. Shrimati Priyanka Chaturvedi
6. Shri Mallikarjun Kharge

LOK SABHA

7. Shri D. M. Kathir Anand
8. Shri Rajkumar Chahar
9. Shri Chandra Prakash Joshi
10. Shri Srinivas Kesineni
11. Shri Manoj Kishorbhai Kotak
12. Shri Nama Nageshwar Rao
13. Shri Magunta Sreenivasulu Reddy
14. Shri K. Shanmuga Sundaram
15. Dr. Amar Singh

SECRETARIAT

Shri Sunil Dutt Nautiyal, Joint Secretary
Shri S. Jason, Director
Shri S.C. Dixit, Additional Director
Shri Kuldip Singh, Under Secretary

WITNESSES

AUTOMOTIVE COMPONENT MANUFACTURERS ASSOCIATION OF INDIA (ACMA)

1. Shri Vinnie Mehta, Director General
2. Shri Sushil Rajput, Deputy Director, Govt. Affairs & Public Policy
At the outset, Chairman welcomed Members of the Committee and informed them about agenda of the meeting. The Chairman, thereafter, welcomed the representatives of Society of Indian Automobile Manufacturers (SIAM) and Automotive Component Manufacturers Association of India (ACMA) and invited to present their views on the subject 'Attracting investment in post-Covid Economy: Challenges and Opportunities for India'. He enquired about measures to address the year-on-year decline in growth of automotive industry and opportunities as well as hurdles in attracting the investment shifting from China. He also flagged the issues of dependence of automotive industry on imports of auto-components, changing dynamics, quality control and traceability, etc.

The representatives of SIAM briefed the Committee about growth in production of passenger and commercial vehicles since 1970, details of segment-wise volume of vehicles, consecutive decline in growth of automotive industry in the year 2020 due to poor consumer sentiments, high acquisition costs and liquidity crisis. It was informed that the contraction in growth in automotive industry is also anticipated in the year 2021.

The Committee was apprised about the steps that need to be taken to boost demand in the automotive industry such as rationalization in GST rates, monetary incentives on scrap in the form of rebates on GST, road tax and registration charges, focusing on commercial vehicles, inclusion of automobile dealership in Micro, Small and Medium Enterprises Development (MSMED) Act and financial support to the industry. The Committee expressed its concern on the large scale imports of auto components amounting to around USD 17.7 billion and stressed on the need for strengthening localization of supplies to address the issue. It also discussed the issues related to unorganized imports, Automotive Mission Plan of 2026 and potential export markets in automotive sector.

The representatives of ACMA highlighted the contribution of automotive industry in Indian economy and de-growth in production being witnessed from 2018-19 on account of decline in supplies to vehicle manufacturers in domestic market. The Committee expressed its concern on rising trade deficit mainly with China in auto components sector due to price and technological factors, demand and supply gap and the sourcing strategy of China.
6. The Committee was apprised about the infrastructural and logistics challenges in auto-industry, high costs of capital, inflexible labour laws and procedural issues. The Committee further dwelt upon the issue of non-uniformity in GST rates imposed on various auto-components leading to trade of spurious components in aftermarket. The Committee was also informed about the opaque pricing strategy and prolonged litigation process at WTO enabling China to extend incentives to its manufacturers.

7. The Committee, thereafter, deliberated upon the issues concerning the need for innovation in automotive industry to spur demand, impact of labour laws, localization of supplies for import substitution, national scrap policy, a large presence of MSME sector in production of auto-components and the role of Special Economic Zones in promoting the automotive industry. It also raised concerns on migration of labourers and their welfare.

8. The Chairman then thanked the representatives of SIAM and ACMA and requested them to furnish replies in writing on the issues raised by the Committee not addressed during the interaction. The witnesses then withdrew.

9. A verbatim record of the proceedings of the meeting was kept.

10. The Committee then adjourned at 04.53 P.M.
XV
FIFTEENTH MEETING

The Department-related Parliamentary Standing Committee on Commerce met at 10.30 A.M. on Thursday, the 27th August, 2020 in Main Committee Room, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri V. Vijayasai Reddy — Chairman

RAJYA SABHA

2. Shrimati Roopa Ganguly
3. Shri Sushil Kumar Gupta
4. Shri Jugalsinh Mathurji Lokhandwala
5. Shrimati Priyanka Chaturvedi
6. Shri Mallikarjun Kharge

LOK SABHA

7. Shri D. M. Kathir Anand
8. Shri Rajkumar Chahar
9. Shri Srinivas Kesineni
10. Shri Manoj Kishorbhai Kotak
11. Shri Hemant Patil
12. Shri Nama Nageshwar Rao
13. Magunta Sreenivasulu Reddy
14. Dr. Amar Singh

SECRETARIAT

Shri Sunil Dutt Nautiyal, Joint Secretary
Shri S. Jason, Director
Shri S.C. Dixit, Additional Director
Shri Kuldip Singh, Under Secretary

WITNESSES

DEPARTMENT OF HEAVY INDUSTRY, MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES, MINISTRY OF COMMERCE AND INDUSTRY

1. Shri Arun Goel, Secretary
2. Shri Shashank Priya, AS & FA
3. Smt. Sukriti Likhi, Joint Secretary
4. Shri Amit Varadan, Joint Secretary
5. Shri Amit Mehta, Joint Secretary
6. Dr. Nalin Shinghal, Chairman and Managing Director, BHEL
2. At the outset, Chairman welcomed members of the Committee and informed about agenda of the meeting. After a brief internal discussion, witnesses were called for presentation.

3. The Chairman welcomed the representatives of Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises and sought their views on the subject ‘Attracting Investment in post-Covid Economy: Challenges and Opportunities for India’. He further desired to be briefed on measures taken by the Department for attracting investment and manufacturing into automotive sector, policy envisaged for substitution of imported components, and the widespread use of counterfeit products. He also sought their views regarding demand by industries for 10 per cent reduction of GST for all range of vehicles, incentive based vehicle scrappage policy as well as on the feasibility of adoption of a policy in India on the lines of Resolution-115 of Vietnam.

4. The Secretary thanked the Committee and apprised about steps taken by the Department for attracting investment as well as substitution of imported component which includes creation of an environment for Research and Development (R&D) and innovation, identifying technological gaps in industry and crowd sourcing solutions for the same in a systematic manner through web based open manufacturing technology platform by bringing technical resources and concerned industry on a one-to-one network, identification of major imported components using HS codes of Directorate General of Foreign Trade, providing performance based incentives to automobile manufacturers and automobile component manufacturers, organizing webinars, business to business meetings, one-to-one meetings with industries showing interest in investing in India. The Secretary further informed that a Project Development Cell has been created for facilitating investment in the heavy industry sector.

5. The Committee was then apprised about schemes/incentives that are in place for increased adoption of EVs (Electric Vehicles) as well as for promotion of R&D. It was informed that expansion of charging infrastructure is being undertaken and subsidies are given to manufacturers of EVs under FAME (Faster Adoption and Manufacturing of Electric Vehicles) Scheme. Further, the Committee was apprised that steps in the direction of R&D are being envisaged under Phase-II of Capital Goods Scheme which is under consideration, and a scheme for Industry 4.0 which aims at adopting smart manufacturing is under submission to the Government.

6. The Committee was informed that inadequate demand for attaining economies of scale, shortage of highly skilled workers especially level 6
plus skills, inability to retain experienced professionals, technological gap and dependence on import of high-end machines, etc. are the issues that need to be addressed to attract investment and make India a manufacturing hub. In this regard, the Department informed that various measures are being taken which include expansion of skilling, testing and certification centers collaborating with global companies under the leadership of BHEL (Bharat Heavy Electricals Limited) for increased localization of manufacturing, working with industry associations to generate required demand for achieving economies of scale as well as identifying core technologies for R&D.

7. With regard to reduction of GST to 18 per cent, incentive based scrappage policy, Free Trade Agreement, Preferential Trade Agreement and road tax, the Committee was informed that these requests/demands by industries have been forwarded to the concerned Departments and State Governments.

8. The Committee then dwelt on issues such as dominance of China in EV technology and need for alternative clean technology, downtrend in auto sector during 2019-20, replacement of diesel vehicles with EVs, inadequate charging infrastructure, long gestation period between signing agreement and manufacturing of vehicle, poor performance of CPSEs (Central Public Sector Enterprises), stagnation of innovation, bridging gap between policy and implementation, increased collaboration with engineering colleges, polytechnic institutions and ITIs (Industrial Training Institutes).

9. Chairman then thanked Secretary and representatives of Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises and requested them to furnish replies in writing on issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.

10. A verbatim record of proceedings of the meeting was kept.

11. The Committee then adjourned at 01.11 P.M.
XVI SIXTEENTH MEETING

The Department-related Parliamentary Standing Committee on Commerce met at 02.30 p.M. on Tuesday, the 8th September, 2020 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT
1. Shri V. Vijayasai Reddy — Chairman

RAJYA SABHA
2. Shrimati Roopa Ganguly
3. Shri Om Prakash Mathur
4. Shri Deepak Prakash

LOK SABHA
5. Shri Prasun Banerjee
6. Shri Srinivas Kesineni
7. Shri Manoj Kishorbhai Kotak
8. Shri Nakul K. Nath
9. Shri Ashok Kumar Rawat
10. Shri K. Shanmuga Sundaram
11. Dr. Amar Singh

SECRETARIAT
Shri Sunil Dutt Nautiyal, Joint Secretary
Shri S. Jason, Director
Shri S.C. Dixit, Additional Director
Shri Kuldip Singh, Under Secretary

WITNESSES

PHARMACEUTICALS EXPORT PROMOTION COUNCIL OF INDIA (PHARMEXCIL)
1. Dr. Dinesh Dua, Chairman
2. Shri Chandranshu Awasthi, Senior Executive Officer

REPRESENTATIVES OF CONFEDERATION OF INDIAN INDUSTRY (CII)
1. Shri Azdar Khan, Senior Vice President, Sun Pharma
2. Shri Ranjit Jabbi, General Manager
3. Shri Vijay Kashyap, Director
2. At the outset, the Chairman welcomed members of the Committee.

3. The Committee then took up the agenda of the meeting and witnesses were called for presentation.

4. The Chairman welcomed the representatives of Pharmaceuticals Export Promotion Council of India (Pharmexcil) and Confederation of Indian Industry (CII) and sought their views on measures to be taken for reducing dependence on Active Pharmaceutical Ingredients (APIs) import and encouraging local manufacturing. He also desired to be briefed on the steps taken by industries for promoting Research and Development (R&D) especially in development of next generation products such as biologics and biosimilars. He further highlighted the need for expanding pharmaceutical export markets to Japan, China, Africa, and Latin America which are large and traditionally underpenetrated.

5. The representatives of Pharmexcil and CII thereafter made a powerpoint presentation wherein country's contribution to global healthcare and performance of domestic pharmaceutical industries were highlighted. The presentation further gave an overview of the opportunities for India in pharmaceutical and medical devices markets along with related challenges that need to be addressed to capitalize the opportunities. The representatives further submitted that the pharmaceutical industry has witnessed a decline in export due to Covid-19 induced lockdown and large dependence on import of APIs and other medical devices. They further submitted that it requires support from the Government for stimulating domestic manufacturing of these products.

6. As regards R&D and measures that need to be taken in development of next generation products such as biologics and biosimilars, the representatives stressed on the need for re-instituting 200 per cent weighted deduction in R&D and removing regulatory bottlenecks in commercialization of biologics as well as on animal studies. The representatives further informed that industry-academia partnership on the line of Chandigarh Region Innovation and Knowledge Cluster (CRIKC) model should be replicated across the country for promoting R&D and innovation.

***pertains to other matter.
7. The Committee was also apprised of the need for having a robust track and trace infrastructure in domestic market, providing support to MSMEs to the tune of 25 lakhs per unit for installation of track and trace hardware and software, extending export incentives under RoDTEP, conducting clinical trial of and standardizing Ayurvedic medicines, providing requisite quality medicines to Jan Aushadi stores, implementation of Schedule M of the Drugs and Cosmetics Rules, 1945 for quality control.

8. The Committee then discussed other issues including widespread circulation of spurious/counterfeit drugs, affordability of medicines and medical equipments, availability of COVID-19 vaccine and providing insurance for domiciliary treatment.

9. The Chairman thanked the representatives of Pharmaceuticals Export Promotion Council of India (Pharmexcil) and Confederation of Indian Industry (CII) and requested them to furnish replies in writing to those issues raised by the Committee and not addressed during the interaction. The witnesses then withdrew.

10. A verbatim record of the proceedings of the meeting was kept.

11. The Committee then adjourned at 04.43 P.M.
XVII
SEVENTEENTH MEETING

The Department-related Parliamentary Standing Committee on Commerce met at 11.00 A.M. on Wednesday, the 9th September, 2020 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT
1. Shri V. Vijayasai Reddy — Chairman
2. Shrimati Roopa Ganguly
3. Shri Om Prakash Mathur
4. Shri Deepak Prakash

RAJYA SABHA
5. Shri Prasun Banerjee
6. Shri Chandra Prakash Joshi
7. Shri Manoj Kishorbhai Kotak
8. Shri Ashok Kumar Rawat
9. Dr. Amar Singh

LOK SABHA
5. Shri Prasun Banerjee
6. Shri Chandra Prakash Joshi
7. Shri Manoj Kishorbhai Kotak
8. Shri Ashok Kumar Rawat
9. Dr. Amar Singh

SECRETARIAT
Shri Sunil Dutt Nautiyal, Joint Secretary
Shri S. Jason, Director
Shri S.C. Dixit, Additional Director
Shri Kuldip Singh, Under Secretary

WITNESSES
REPRESENTATIVES OF DEPARTMENT OF PHARMACEUTICALS, MINISTRY OF CHEMICALS & FERTILIZERS
1. Dr. P.D. Vaghela, Secretary
2. Shri Navdeep Rinwa, Joint Secretary

At the outset, Chairman welcomed Members of the Committee and informed them about the agenda of the meeting.

The Chairman, thereafter, welcomed the representatives of Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers and flagged various issues on the subject 'Attracting Investment in post-Covid Economy: Challenges and Opportunities for India' specifically pertaining to the pharmaceutical sector. He enquired about the measures to attract investments shifting from China, incentives being provided to produce low cost Active Pharmaceutical Ingredients (APIs) for reducing their import.
dependence, implementing recommendations of Katoch Committee Report on manufacturing of API, encouraging R&D activities, setting up of a dedicated Ministry for Pharmaceuticals, and other related issues.

4. The Secretary, Department of Pharmaceuticals thanked the Chairman and apprised about India's dependence on imports of 58 critical APIs. The representatives of the Department thereafter made Power Point Presentation wherein they briefed about the vision to make India a global leader in pharmaceutical sector by facilitating Make in India and other policy measures. It was informed that the challenges caused by Covid-19 such as hike in API prices, disruption in domestic supplies as well as slump in global demands were counteracted by undertaking corrective measures and initiatives to monitor the supply chains and trends in exports/imports.

5. The representatives of the Department, thereafter, highlighted the opportunities available for India by becoming an alternative source of APIs to other nations and providing a large manufacturing base for production of vaccines and medical devices. They also touched upon the Production Linked Incentives Schemes for domestic manufacturing of critical drugs, Key Starting Materials (KSM), drug intermediates and APIs as well as schemes for establishing Bulk Drug Parks.

6. The Committee was informed about the Pharma Bureau operating as a single interface platform for extending assistance to investors. The Chairman, thereafter, expressed his concerns on the patent regulations of various nations on production of medical devices refraining their domestic manufacturing in India. The Committee further discussed the issues concerning the need for adequate budget for R&D activities in pharmaceutical sector, pricing mechanism vis-à-vis the National List of Essential Medicines, glitches in the functioning of Jan Aushadhi drug store, etc.

7. The Committee further discussed the issue relating to a survey conducted by Ministry of Health and Family Welfare on quality of drugs and spurious drugs in India. The Committee was apprised about the efforts being undertaken such as developing a trace and track software for pharmaceutical sector and coordination with research institutes/universities.

8. The Committee expressed its concerns on irregularities in pricing and illegal sale of drugs as well as losses incurred by the Public Sector Undertakings due to upsurge in cheap imports of APIs and drugs. It deliberated upon the need to impose anti-dumping duties on imports from China, strengthening the role of National Pharmaceutical Pricing Authority to curb illegal practices and easing regulatory hurdles in manufacturing.
9. The Chairman then thanked the representatives of Department of Pharmaceuticals and requested them to furnish replies in writing to the issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.

10. A verbatim record of the proceedings of the meeting was kept.

11. The Committee then adjourned at 01.38 P.M.
FIRST MEETING

The Department-related Parliamentary Standing Committee on Commerce met at 02.30 P.M. on Thursday, the 15th October, 2020 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri V. Vijayasai Reddy — Chairman

RAJYA SABHA

2. Shrimati Priyanka Chaturvedi
3. Shrimati Roopa Ganguly
4. Shri Sushil Kumar Gupta
5. Shri Mallikarjun Kharge
6. Shri Jugalsinh Mathurji Lokhandwala

LOK SABHA

7. Shri Prasun Banerjee
8. Shri Rajkumar Chahar
9. Shri Manoj Kishorbhai Kotak
10. Shri Nakul K. Nath
11. Dr. Manoj Rajoria
12. Shri Nama Nageswar Rao
13. Shri Ashok Kumar Rawat
14. Shri Kesineni Srinivas

SECRETARIAT

Shri Sunil Dutt Nautiyal, Joint Secretary
Shri S. Jason, Director
Shri S.C. Dixit, Additional Director
Shri Kuldip Singh, Under Secretary

WITNESSES

REPRESENTATIVE OF FEDERATION OF INDIAN MICRO AND SMALL & MEDIUM ENTERPRISES (FISME)

Shri Anil Bhardwaj, Secretary General

REPRESENTATIVES OF COMMUNICATION MULTIMEDIA AND INFRASTRUCTURE ASSOCIATION OF INDIA (CMAI)

1. Prof. N.K. Goyal, President
2. Shri Umang Dass, Chairman
2. At the outset, Chairman welcomed Members of the Committee to the first meeting after its reconstitution w.e.f. 13th September, 2020.*

The Committee decided on resuming the examination of the first subject.

3. The Chairman, thereafter, welcomed the representatives of Federation of Indian Micro and Small & Medium Enterprises (FISME) and Communication Multimedia and Infrastructure Association of India (CMAI) and flagged various issues on the subject 'Attracting Investment in post-Covid Economy: Challenges and Opportunities for India' pertaining specifically to the electronics industry. He enquired about the prospects and challenges in attracting investments shifting from China in electronics sector, measures being undertaken to narrow the rising trade deficit, reasons for lesser penetration of companies into India after their relocation from China and preferring other Asian nations such as Vietnam and Taiwan, implementation of schemes as well as other manufacturing issues in electronics industry.

4. The representatives of CMAI apprised about the regulatory hurdles and issues in approval processes, asymmetry between Central and State Governments in granting approvals and imposition of tax on global income of foreign investors beyond the limit of investment of 183 days thereby discouraging investments on a long term basis. It was, therefore, suggested that the income earned by foreign investors in India may only be considered for tax liability by treating them as 'resident' Indians to foster their long term presence in Indian markets.

5. Issues such as improper implementation of crucial schemes such as PPP-MII in states, defying mandatory testing of electronic equipments as per the Telegraph Rules, surge in influx of imports of electronic goods in India, non-availability of technology in North East region, hilly tracts and border areas as well as absence of specific distinction between manufacturing and assembly units being established in India were also discussed.

6. The representatives of FISME emphasized upon the efforts to sensitize the officials in districts and states towards facilitating business and investments, need to undertake judicial reforms to ensure investor-friendly judicial system with speedy justice delivery mechanism on litigations pertaining to foreign investments and commercial issues and necessity to create a conducive environment for the growth and development of small
and medium manufacturing units enabling them to engage with Global Value Chains and Joint Ventures.

7. The Committee further deliberated upon the measures to address high trade deficit in electronic components meant for assembly units such as focusing upon acquiring cutting-edge technologies rather than imposing tariff and non-tariff barriers. It also dwelt upon the feasibility to evolve an alternative mechanism for L1 tendering system in order to ensure quality standards by opting for the higher rate bidders.

8. The Committee, thereafter, discussed the issues related to ramping up Research and Development activities in technology to boost innovation in electronics sector, skill development and welfare measures for labourers in India as well as job losses in unorganized sector. It further expressed its dismay over the existing asymmetry between central and state authorities in granting approvals to investors. The Committee also underlined the need for creating positive sentiments while making all efforts for boosting manufacturing sector which is crucial for the development of the country.

9. The Chairman then thanked the representatives of CMAI and FISME and requested them to furnish replies in writing to the issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.

10. A verbatim record of the proceedings of the meeting was kept.

11. The Committee then adjourned at 5.58 P.M.
II
SECOND MEETING
The Department-related Parliamentary Standing Committee on Commerce met at 12 Noon on Friday, the 16th October, 2020 in Main Committee Room, Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT
1. Shri V. Vijayasai Reddy — Chairman

RAJYA SABHA
2. Shrimati Priyanka Chaturvedi
3. Shrimati Roopa Ganguly
4. Shri Sushil Kumar Gupta
5. Shri Mallikarjun Kharge
6. Shri Jugalsinh Mathurji Lokhandwala

LOK SABHA
7. Shri Prasun Banerjee
8. Dr Manoj Rajoria
9. Shri Nama Nageswar Rao
10. Shri Ashok Kumar Rawat
11. Shri Mansukhbhai Dhanjibhai Vasava

SECRETARIAT
Shri Sunil Dutt Nautiyal, Joint Secretary
Shri S. Jason, Director
Shri S.C. Dixit, Additional Director
Shri Kuldip Singh, Under Secretary

WITNESSES
REPRESENTATIVES OF MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
1. Shri Ajay Prakash Sawhney, Secretary
2. Shri Saurabh Gaur, Joint Secretary
3. Dr. Atif Faiz Khan, Scientist 'D'

2. At the outset, Chairman welcomed Members of the Committee and informed them about the agenda of the meeting. He, thereafter, welcomed the representatives of Ministry of Electronics and Information Technology (MeitY) to discuss the subject 'Attracting Investment in post-Covid Economy: Challenges and Opportunities for India' with specific issues pertaining to the electronics sector.
3. The Chairman sought clarification on a pre-condition under the Scheme of Production Linked Incentive (PLI) that discourages the MSME Sector by imposing a limitation on domestic companies to qualify for incentives only if their global manufacturing revenue is above Rs. 100 crore. He further sought their views on issues concerning the need to cover all electronics manufacturing sectors in the PLI Scheme; inclusion of private telecom sector in Public Procurement (Preference to Make In India) Order, 2017; reinstitution of 200 per cent of weighted tax deduction on Research & Development; net connectivity in hilly, border and North Eastern States and other issues in electronics sector.

4. Secretary, MeitY thanked the Chairman and apprised of the targets and schemes of the Ministry with its focus on incremental growth in production of electronics and electronic components. He informed the Committee about the efforts being undertaken to promote foreign investments in the Assembly, Testing, Marketing and Packaging (ATMP) units and incentivizing the domestic manufacturing of specified electronics components, including semi-conductor fabrication.

5. Secretary, MeitY submitted that efforts would be made to engage with the Department of Revenue to reinstate the 200 per cent weighted tax deduction on Research and Development. He further informed about launching of skill development programmes in electronics manufacturing in coordination with the Sectoral Skill Councils and Industrial Associations. He also emphasized on the need to undertake efforts to ensure better net connectivity in the North East Region through domestically manufactured telecom equipments.

6. The Chairman, thereafter, expressed his concern on dominance of mobile phones as well as consumer and industrial electronics in the overall growth of electronics manufacturing, with negligible growth visible in production of strategic electronics, the low manufacturing of electronics as compared to its assembly, etc.

7. The Committee further dwelt upon the challenges of producing locally the electronic components such as micro chips, lithium batteries, etc., imposition of low basic customs duty on import items, disadvantages to manufacturing sector on account of poor logistics and skewed taxation policies, progress on development of software services and effective handling of e-wastes in India by evolving efficient technologies.

8. The Chairman then thanked the representatives of Ministry of Electronics and Information Technology and requested them to furnish replies in writing to the issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.
9. A verbatim record of the proceedings of the meeting was kept.
10. The Committee then adjourned at 01.59 P.M.
III
THIRD MEETING

The Department-related Parliamentary Standing Committee on Commerce met at 2.30 P.M. on Monday, the 2nd November, 2020 in Main Committee Room, Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri V. Vijayasai Reddy — Chairman

RAJYA SABHA

2. Shrimati Priyanka Chaturvedi
3. Shri Sushil Kumar Gupta
4. Shri Jugalsinh Mathurji Lokhandwala

LOK SABHA

5. Shrimati Sumalatha Ambareesh
6. Shri Prasun Banerjee
7. Shri Raju Bista
8. Shri Rajkumar Chahar
9. Shri Rameshbhai Lavjibhai Dhaduk
10. Shri Arvind Dharmapuri
11. Shri Nakul K. Nath
12. Dr. Manoj Rajoria
13. Shri Nama Nageswar Rao
14. Shri Ashok Kumar Rawat
15. Shri Magunta Sreenivasulu Reddy

SECRETARIAT

Shri Sunil Dutt Nautiyal, Joint Secretary
Shri S.C. Dixit, Additional Director

WITNESSES

THE TOY ASSOCIATION OF INDIA (TAI)

1. Shri Naresh Kumar Gupta, Managing Director
2. Shri Babukutty P.S., Senior Executive Secretary

3.30 P.M.

MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

1. Shri A.K. Sharma, Secretary
2. Shri Devendra Kumar Singh, Additional Secretary & Development Commissioner
3. Shri Piyush Srivastava, Additional Development Commissioner
4. Shri Sanjeev Chawla, Director
I. ORAL EVIDENCE OF REPRESENTATIVES OF THE TOY ASSOCIATION OF INDIA (TAI).

2. At the outset, Chairman welcomed Members of the Committee and informed them about the agenda of the meeting. He, thereafter, welcomed the representatives of the Toy Association of India (TAI) and sought their views on issues pertaining to toy industry such as over-dependence of the industry on Chinese imports; imposition of high import duty on toys being imported from China and its impact on Indian toy industry; decreasing popularity of Channapatna toys (made in Karnataka) or traditional toys locally manufactured in India; lack of innovation as well as other related issues.

3. The representatives of the Toy Association of India (TAI) apprised the Committee about the substantial decline in domestic toy manufacturing in India due to the absence of a stable industrial policy and curtailing of import duties leading to upsurge in toy imports from China. They further stressed upon the necessity to adopt a cluster approach in toy manufacturing which would ensure common facilities for testing, designs and marketing. The Committee was also informed about the issues such as difficulties in accessing raw materials for toy manufacturing, the need to promote skill development and advantages in setting up a Toy City in India.

4. The Committee, thereafter, discussed the issues such as extending subsidies to the manufacturers to minimize the impact of high cost of production; significance of promoting Research and Development for inculcating innovation in manufacturing; assistance to the toy manufacturers through the web portal of 'Champions'; feasibility of establishing a Toy Board for the overall development of toy industry as well as adverse impact of imposition of high license fee to set up manufacturing units by the Bureau of Indian Standards (BIS).

5. The Chairman then thanked the representatives of the TAI and requested them to furnish replies in writing to the issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.

II. ORAL EVIDENCE OF REPRESENTATIVES OF MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

6. The Chairman welcomed the Secretary, Ministry of Micro, Small and Medium Enterprises (MSME) and flagged various issues concerning the toy industry such as minimal share of Indian toy industry at the global level; high import duties on machines and raw materials required in toy production; low quality toy imports from China, etc.
7. Secretary, Ministry of MSME apprised the Committee about the measures being taken to boost toy manufacturing in India which include coordinative efforts between different Ministries/ Departments; development of traditional clusters of toys manufacturing through the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) as well as technological interventions in toy production.

8. The Chairman further discussed about the marketing of domestically manufactured toys by embossing them with Make In India tag. He also enquired about efforts being made by the Department to enable optimal functioning of toy hubs in the country. Secretary, in his response, informed about the 'tool rooms' or tool design institutes being identified in various parts of India for supporting toy industry with better innovation and design facilities.

9. The Committee further deliberated upon the issues such as production of eco-friendly toys in India; steps to reduce taxes including import duties on raw materials; marketing and branding of locally manufactured toys; WTO compliant regulatory mechanisms to prevent cheap imports of toys from China; feasibility to set up a National Institute of Toys in India as well as reasons for low global competitiveness of Indian manufactured toys in spite of having lesser per capita expenditure than that of the developed nations such as Australia, US, etc.

10. The Chairman then thanked the representatives of the Ministry of MSME and requested them to furnish replies in writing to the issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.

11. A verbatim record of the proceedings of the meeting was kept.

12. The Committee then adjourned at 5.02 P.M.
IV
FOURTH MEETING
The Department-related Parliamentary Standing Committee on Commerce met at 11.00 A.M. on Tuesday, the 3rd November, 2020 in Main Committee Room, Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT
1. Shri V. Vijayasai Reddy — Chairman

RAJYA SABHA
2. Shrimati Priyanka Chaturvedi
3. Shri Sushil Kumar Gupta
4. Shri Jugalsinh Mathurji Lokhandwala
5. Shri Om Prakash Mathur

LOK SABHA
6. Shrimati Sumalatha Ambareesh
7. Shri Prasun Banerjee
8. Shri Raju Bista
9. Shri Rajkumar Chahar
10. Shri Ramesh bhai Lavjibhai Dhaduk
11. Shri Arvind Dharmapuri
12. Shri Hemant Patil
13. Dr. Manoj Rajoria
14. Shri Nama Nageswar Rao
15. Shri Ashok Kumar Rawat
16. Shri Magunta Sreenivasulu Reddy
17. Shri Kesineni Srinivas

SECRETARIAT
Shri Sunil Dutt Nautiyal, Joint Secretary
Shri S.C. Dixit, Additional Director

WITNESSES
ALL INDIA SOLAR INDUSTRIES ASSOCIATION (AISIA)
1. Shri Sunil Rath, Director
2. Shri Ashwini Sehgal, Director, Alpex Solar Pvt. Ltd.
3. Shri Sudhir Agarwal, Director, Patanjali Renewables Pvt Ltd.

12.00 Noon
MINISTRY OF NEW AND RENEWABLE ENERGY
1. Shri Indu Shekhar Chaturvedi, Secretary
2. Shri Amitesh Kumar Sinha, Joint Secretary
I. ORAL EVIDENCE OF REPRESENTATIVES OF THE ALL INDIA SOLAR INDUSTRIES ASSOCIATION (AISIA).

2. At the outset, Chairman welcomed Members of the Committee and informed them about the agenda of the meeting. He, thereafter, welcomed the representatives All India Solar Industries Association (AISIA) and sought their views on the measures to be taken for attracting investment and manufacturing in the domestic solar industry. He further flagged issues such as heavy dependence on import of solar modules, inverters and other related materials, effectiveness of safeguard duty and also desired to be briefed on steps to be taken for capturing emerging renewable energy markets such as South Asia and Africa.

3. The representatives of AISIA apprised about the need for protection against dumping by China, the lack of market visibility for domestic manufacturers and the need for support from the Government. The Committee was also informed that the domestic manufacturers are currently confined to manufacturing of cells and that rest of the components such as bed sheets, glass, Ethylene Vinyl Acetate (EVA) and junction box are imported and assembled in India.

4. The Committee was then apprised in detail regarding drawbacks in the implementation of safeguard duty which has indirectly benefitted foreign manufacturers thereby facilitating import. Due to the change in law clause, solar developers were able to claim back the safeguard duty which was paid at the time of import, thereby making import cheaper than domestic manufactured products. It was, therefore, suggested by the representatives of AISIA that basic customs duty in the range of 25 per cent to 50 per cent may be provided to protect the domestic industries.

5. The Committee was also informed that India imported around 70 per cent of solar components and that there is a need for incentivizing manufacturing of components in the form of subsidies, lower tax or easy loans.

6. The Chairman then thanked the representatives of AISIA and requested them to furnish replies in writing to the issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.
II. ORAL EVIDENCE OF REPRESENTATIVES OF THE MINISTRY OF NEW AND RENEWABLE ENERGY.

7. The Chairman, then, welcomed the representatives of the Ministry of New and Renewable Energy and highlighted various issues on the subject 'Attracting Investment in post-Covid Economy: Challenges and Opportunities for India' specifically pertaining to the solar industry. He enquired about the measures taken to attract investments and manufacturing units shifting from China, availability of long-term debt financing avenues for solar projects, reducing import dependence, etc.

8. The Committee was apprised in brief about the renewable energy sector in India and progress made by the Ministry in installing renewable energy. It was informed that capacity addition in 2020 vis-à-vis 2019 has declined due to Covid-19 pandemic and that various measures have been taken by the Ministry to recover from the setback caused by the pandemic.

9. With regard to measures taken for attracting investment in the solar sector, the Committee was informed that a Project Development Cell has been constituted to address the issues with regard to implementation of renewable energy projects. It was further informed that a Foreign Direct Investment Cell has also been created to address issues concerning the flow of foreign direct investment in the renewable energy sector.

10. With regard to financing renewable projects, the Committee was informed that loans or finance is provided for renewable energy project through the Indian Renewable Energy Development Agency. Further, it was informed that the Ministry has been pursuing through the Reserve Bank of India and Department of Financial Services to earmark a certain percentage of portfolio of domestic banks for renewable energy.

11. The Committee was then apprised about the measures taken to promote domestic manufacturing, the anticipated increase in demand for solar components in the future and the opportunity available for domestic manufacturers to expand their manufacturing capacity.

12. The Committee then discussed issues such as safeguard duty, basic customs duty, rooftop solar system, loss making DISCOMs due to declining power tariff, manufacture of perovskite solar cells, etc.

13. The Chairman then thanked the representatives of the Ministry of New and Renewable Energy and requested them to furnish replies in writing to the issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.

14. A verbatim record of the proceedings of the meeting was kept.

15. The Committee then adjourned at 01.49 P.M.
V

FIFTH MEETING

The Department-related Parliamentary Standing Committee on Commerce met at 2.00 P.M. on Wednesday, the 18th November, 2020 in Main Committee Room, Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT
1. Shri V. Vijayasai Reddy – Chairman

RAJYA SABHA
2. Shrimati Priyanka Chaturvedi
3. Shri Sushil Kumar Gupta
4. Shri Deepak Prakash

LOK SABHA
5. Shri Prasun Banerjee
6. Shri Ashok Kumar Rawat
7. Shri Magunta Sreenivasulu Reddy
8. Shri Kesineni Srinivas

SECRETARIAT
Shri S. Jason, Director
Shri S.C. Dixit, Director

WITNESSES

REPRESENTATIVES OF INDIAN INDUSTRIES ASSOCIATION (IIA)
1. Shri Pankaj Kumar, National President
2. Shri Ashwani Khandelwal, General Secretary
3. Shri Jitender Parikh, Vice President

03.00 P.M.

REPRESENTATIVES OF MINISTRY OF STEEL
1. Shri Pradip Kumar Tripathi, Secretary
2. Ms. Rasika Chaube, Additional Secretary
04.00 P.M.

REPRESENTATIVES OF DEPARTMENT OF PHARMACEUTICALS, MINISTRY OF CHEMICALS & FERTILIZERS

1. Ms. S. Aparna, Secretary
2. Dr. Sumit Garg, Deputy Secretary
3. Dr. S. Eswara Reddy, Joint Drug Controller India
4. Smt. Shubhra Singh, Chairman, National Pharmaceuticals Pricing Authority

2. At the outset, the Chairman welcomed the members of the Committee and informed them about the agenda of the meeting.

I. ORAL EVIDENCE OF REPRESENTATIVES OF INDIAN INDUSTRIES ASSOCIATION (IIA)

3. The Chairman then welcomed the representatives of Indian Industries Association (IIA) and sought their views on the measures that need to be taken for attracting investment in steel and medical devices sector. He also flagged issues such as heavy dependence on import of medical devices and high grade steel, high energy consumption in steel production as well as safeguard duty and inverted duty structure in steel sector. He further desired that the Committee be briefed on the Draft Medical Devices (Safety, Effectiveness & Innovation) Bill and the two new schemes for medical devices, namely, Scheme for Promotion of Medical Devices Park and Production Linked Incentive (PLI) Scheme for promoting domestic manufacturing of medical devices.

4. The representatives of Indian Industries Association (IIA) apprised the Committee regarding the need for creating a conducive and favourable business environment in the country by removing the complex red-tapism and undertaking necessary reforms to augment its liberal FDI policy regime and make India an attractive destination for investment. The Committee was also apprised that the steel industry requires huge investment for undertaking expansion of its manufacturing capacity.

5. With regard to production of high grade steel, the Committee was informed that India lacks modern technology and capital input as well as infrastructural facilities required for production of high grade steel. The representatives of IIA further apprised the Committee about the need to have a comprehensive plan for modernization and upgradation of technology.

*** pertains to other matter.
6. The Committee, thereafter, dwelt on issues relating to protection of MSMEs in steel industry from foreign companies, import of medical devices from China, use of coal and natural gas for steel production, etc.

7. The Chairman thanked the representatives of IIA and requested them to furnish replies in writing to the issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.

II. ORAL EVIDENCE OF REPRESENTATIVES OF MINISTRY OF STEEL

8. The Chairman welcomed the representatives of the Ministry of Steel and flagged various issues in the steel sector such as import dependence on high grade steel, availability and access to financial credit as well as the imposition of non-creditable taxes, duties and cess on steel makers. He further desired that the Committee be briefed on the National Steel Policy, 2017.

9. The Secretary, Ministry of Steel, informed the Committee that a Production Linked Incentive (PLI) Scheme for boosting production of specialty steel has been given in-principle approval by the Cabinet. Further, the domestic steel industries have implemented plans for capacity enhancement and manufacturing of alloy steel grids. These schemes and measures will augment value-addition and production of high grade steel and reduce import dependence.

10. With regard to higher effective tax rate in steel sector, the Committee was informed that the Ministry of Steel has been pursuing the matter with the Ministry of Mines and Ministry of Finance to bring down the non-creditable taxes to reduce the cost of inputs on steel.

11. The Committee was informed that increase in domestic consumption of steel through various infrastructure projects, Steel Import Monitoring System, domestically manufactured iron and steel products procurement policy and steel quality control order will boost domestic steel production and reduce dependence on import.

12. The Secretary informed the Committee that the Ministry of Steel has been taking measures to improve the ease of doing business and reduce logistics cost in the steel sector in consultation with stakeholders and relevant Ministries/Departments. The Committee was also informed that the Ministry has been pursuing various trade measures with the Ministry of Commerce such as the elimination of lesser duty rule in anti-dumping and anti-subsidy investigations, renegotiation of India’s Free Trade Agreements with ASEAN, Japan and South Korea, etc. to ensure a level playing field between domestic and imported steel.
13. The Committee, thereafter, dwelt on issues regarding the setting up of steel plant in Kadapa District of Andhra Pradesh, low per capita consumption of steel in rural areas, technological capacity in steel manufacturing, etc.

14. The Chairman thanked the representatives of Ministry of Steel and requested them to furnish replies in writing to the issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.

III. ORAL EVIDENCE OF REPRESENTATIVES OF DEPARTMENT OF PHARMACEUTICALS, MINISTRY OF CHEMICALS & FERTILIZERS

15. The Chairman welcomed the representatives of the Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers and desired that the Committee be briefed on the measures taken by the Department for attracting investment and manufacturing units in the medical devices industry. He further sought details on the two newly announced schemes for medical devices, status of Draft Medical Devices Policy and the Draft Medical Devices (Safety, Effectiveness & Innovation) Bill.

16. The Secretary, Department of Pharmaceuticals, gave a brief overview of medical devices market and regulatory structure of the medical devices industry. She apprised the Committee about the capital intensive nature of the industry as well as the need for constant technological innovation and R&D in order to capture the full value of the sector.

17. With regard to measures taken for attracting investment, the Secretary informed the Committee that the Department has taken three initiatives, namely, creation of medical devices park under which four medical devices park will be set up, PLI scheme for promoting domestic manufacturing of medical devices and instituting a liberal FDI regime where 100 per cent FDI is allowed under automatic route. The Committee was also informed that the Department has constituted a Project Development Cell and Pharma Bureau to address issues in the medical devices sector.

18. With regard to Draft Medical Devices Policy, the Secretary informed that the Department plans to go ahead with the policy. Further, the Committee was informed that the Draft Medical Devices (Safety, Effectiveness & Innovation) Bill has been prepared by NITI Aayog and is under inter-department consultation.

19. The Committee, thereafter, discussed issues regarding the preparedness of domestic manufacturers to meet requirements in post-
COVID, protection of domestic industries and availability of skilled technicians, scientists, etc. in the medical devices sector.

20. The Chairman then thanked the representatives of the Department of Pharmaceuticals and requested them to furnish replies in writing to the issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.

21. A verbatim record of the proceedings of the meeting was kept.

22. The Committee then adjourned at 04.58 P.M.
VI
SIXTH MEETING
The Department-related Parliamentary Standing Committee on Commerce met at 11.00 A.M. on Thursday, the 19th November, 2020 in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT
1. Shri V. Vijayasai Reddy — Chairman

RAJYA SABHA
2. Shrimati Priyanka Chaturvedi
3. Shri Sushil Kumar Gupta
4. Shri Deepak Prakash

LOK SABHA
5. Shri Prasun Banerjee
6. Shri Rajkumar Chahar
7. Shri Ashok Kumar Rawat
8. Shri Magunta Sreenivasulu Reddy

SECRETARIAT
Shri S. Jason, Director
Shri S.C. Dixit, Director

WITNESSES
REPRESENTATIVES OF DEPARTMENT OF COMMERCE, MINISTRY OF COMMERCE & INDUSTRY
1. Shri Pawan Kumar Agarwal, Special Secretary
2. Shri Sanjay Chadha, Additional Secretary
3. Shri Surendra Kumar Ahirwar, Joint Secretary
4. Shri Arun Goel, Joint Secretary

12.00 Noon

REPRESENTATIVES OF DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE, MINISTRY OF COMMERCE & INDUSTRY
1. Shri Guruprasad Mohapatra, Secretary
2. Smt. Sumita Dawra, Additional Secretary
3. Shri Rajat Sachar, Principal Adviser
4. Shri Ravindra, Joint Secretary
2. At the outset, the Chairman welcomed Members of the Committee and informed them about agenda of the meeting. * * * * Thereafter, the Committee continued deliberations on the subject under its study i.e., 'Attracting Investment in post-Covid Economy: Challenges and Opportunities for India'.

I. ORAL EVIDENCE OF REPRESENTATIVES OF THE DEPARTMENT OF COMMERCE, MINISTRY OF COMMERCE & INDUSTRY

3. The representatives of the Department of Commerce, Ministry of Commerce and Industry then appeared before the Committee. Chairman welcomed them and sought their views on the issues regarding high cost of logistics in India. He further desired that the Committee be briefed on the Draft National Logistics Policy, 2019 and the upcoming export incentive scheme, namely the scheme of Remission of Duties or Taxes on Export Products (RoDTEP).

4. The Special Secretary, Department of Commerce, informed the Committee that the logistics cost in India is much higher as compared to the advance nations. He further informed that logistics cost depends on the nature of goods - with high value goods attracting lower logistics cost and commodities like coal, steel, agriculture and allied products, etc. having higher logistics cost.

5. The Committee was then apprised that the logistics sector is spread across different Ministries/ Department and agencies, both at the Centre and at the State level. It was further apprised that most of the work in the sector is carried out by private sector with Government playing a regulatory role.

6. With regard to the Draft National Logistics Policy, the Committee was informed that the final draft is under preparation in consultation with various stakeholders and related Ministries. It was further informed that the policy will provide the desired consistency in policy and regulatory framework in the logistics sector. It will enable the shift in mode of transport towards inland waterways/ costal shipping and railways from roadways.

7. The Committee was then apprised about the twelve levers of change to transform the logistics sector, namely, the National Logistics Act, National Master Plan and State Logistics Plans, Standardization and formalization of Logistics Services, Digital Transformation, Multimodal Facilities and Warehousing, Urban-rural logistics, Logistics for international

*** pertains to other matter.
trade, Logistics Workforce, Green and Clean Logistics, Research and Innovation, More Efficient Transportation, Logistics Needs of User Sectors and Logistics for emergencies and disasters. The Committee was informed that these twelve levers of change will transform logistics sector in India and provide a unified approach to logistics in the country.

8. The Committee, thereafter, discussed issues relating to MEIS-RoDTEP, coordination between Centre and the States, Regional Comprehensive Economic Partnership (RCEP), etc.

9. The Chairman thanked the representatives of Department of Commerce and requested them to furnish replies in writing to the issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.

II. ORAL EVIDENCE OF REPRESENTATIVES OF THE DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE, MINISTRY OF COMMERCE & INDUSTRY

10. The Chairman welcomed the representatives of the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry and desired to be briefed on the status of the National Industrial Corridors Project and steps taken by Invest India to attract investment. He also highlighted various issues with regard to performance of the logistics sector and solicited suggestions from the Department to address the same.

11. The Committee was informed that the Department has planned to develop 11 industrial corridors with 32 industrial nodes in four phases which will be completed by 2024. It was further informed that 5 industrial nodes are currently in different stages of development. The Committee was also apprised that delay in transferring the required land, which is the share of equity contribution by the State Governments, has delayed the development of industrial nodes.

12. As regards attracting investment, the Committee was informed that a Project Development Cell in 29 Ministries as well as Empowered Group of Secretaries headed by Cabinet Secretary has been formed and a comprehensive single window Investment Clearance Cell will be announced by 1st April, 2021. Further, two Production Linked Incentive (PLI) schemes for the electronics and pharmaceutical sectors have been announced and another ten PLI schemes for different sectors has been approved recently by the Cabinet. The Department informed that these measures will address the issues with regard to investment and make India an attractive investment destination.
13. The Committee, thereafter, dwelt on issues such as FDI policy with regard to countries having land borders with India, inverted duty structure, cross subsidy in railway, One District One Product (ODOP) programme, etc.

14. The Chairman then thanked the representatives of the Department of for Promotion of Industry and Internal Trade and requested them to furnish replies in writing to the issues raised by the Committee but not addressed during the interaction. The witnesses then withdrew.

15. A verbatim record of the proceedings of the meeting was kept.

16. The Committee then adjourned at 01.22 P.M.
XI

ELEVENTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 2.30 P.M. on Monday, the 8th February, 2021 in Room No.63, First Floor, Parliament House, New Delhi.

MEMBERS PRESENT

1. Shri V. Vijayasai Reddy — Chairman

RAJYA SABHA

2. Shrimati Priyanka Chaturvedi
3. Shri Jugalsinh Mathurji Lokhandwala
4. Shri Deepak Prakash

LOK SABHA

5. Shri Prasun Banerjee
6. Shri Raju Bista
7. Shri Arvind Dharmapuri
8. Shri Manoj Kishorbhai Kotak
9. Shrimati Manjulata mandal
10. Shri Nakul K. Nath
11. Shri Nama Nageswar Rao
12. Shri Magunta Sreenivasulu Reddy
13. Shri Prajwal Revanna

SECRETARIAT

Shri Sunil Dutt Nautiyal, Joint Secretary
Shri S. Jason, Director
Smt. Nidhi Chaturvedi, Additional Director
Shri Kuldip Singh, Under Secretary

2. At the outset, the Chairman welcomed the Members of the Committee and informed about agenda of the meeting.

3. The Committee, thereafter, took up for consideration ** draft 158th Report on 'Attracting Investment in Post-Covid Economy: Challenges and Opportunities for India'. After a brief discussion, the Committee adopted the Reports without any changes.

*** pertains to other matter.
4. The Committee then, authorized Shrimati Priyanka Chaturvedi, M.P. and in her absence Shri Jugalsinh Mathurji Lokhandwala, M.P. to present the Reports in Rajya Sabha on 10th February, 2021. It was also decided that in Lok Sabha, Shri Magunta Sreenivasulu Reddy, M.P. and in his absence Shri Prasun Banerjee, M.P. will lay the Reports.

5. The Committee then adjourned at 3.15 P.M.

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