

# **ANNUAL ACTIVITY REPORT** **POLICY ADVOCACY COMMITTEE**

**2019-20**

## **Inverted Duty Structure ( IDS) on Railway parts**

The casting manufacturers supplying parts to Railways under 8607 were not able to utilize accumulated ITC due to inverted duty structure as inputs were being taxed between 18-28% whereas the final product to Railways was being taxed @5%. This resulted in accumulation of unutilized ITC due to inverted duty structure & resulted in approx. 7-8% cost burden to such manufacturers .

The case was taken up at highest level with the CBIC & concerned Ministries & several meetings were held. & written detailed representations were submitted with details & justifications to address the issue of IDS & it was represented that the GST on final castings to Railways be changed to 12% which will address the issue of unutilized accumulated ITC After prolonged representation, IIF's Proposal to revise the GST on such part to 12% for supply to Railways was accepted & notified & the issue of foundries due to IDS was resolved .

## **Phenol Case**

### **a ) Safeguard Duty**

The domestic producers of phenol had initiated case for imposing Safeguard duty on phenol with DGTR . Since it is also used in foundries ,any such move can adversely impact the foundry industry .The case was represented with DGTR & after detailed submissions of data & justifications by us ,the case was withdrawn by the domestic producers of phenol & the issue was resolved in favour of user industry including foundries

### **b) Restriction on Imports of phenol-Proposed by domestic manufacturers of phenol**

Subsequently the domestic producers of phenol also initiated case before Ministry of Chemicals for restricting the imports of phenol on the plea that they are not able to fully utilize installed capacity & they have made substantial investments for domestic manufacturing & their investments should be protected

The case was strongly contested by IIF including other user industry associations & several meetings were held with Ministry of Commerce & Industry ,Secretary ,Ministry of Chemicals & finally with the Minister ,Ministry of Chemicals .The IIF & other user industry produced all facts & figs & strongly advocated against imposing any restrictions on imports as this will take us back to license raj & against the ease of doing business .We represented that there is huge gap in supply

& demand of phenol by various user industry segments & any buyer resorts to import only as a last resort when the product is not available timely in required quantity & reasonable price as there is cost & risk involved in imports & any restriction it is not in larger interest of several user industry providing huge employment & who are producing finished value added products for domestic consumption as well as exports .Subsequently after several hearings & the justifications given ,the case for imposition of restricting imports as proposed by phenol manufacturers was rejected by authorities as proposed by us & other user industries

## **EIA Policy**

Ministry of Environment Forests & Climate Change ( MoEF& CC) initiated review the EIA policy 2006 since lot of amendments ,Court notices etc were issued during the intervening period & also focus on ease of doing business .IIF was invited by MoEF& CC to join the consultative process for finalizing the EIA Policy document . We also invited senior official from Ministry of Env ,Forests& Climate Change to Delhi office for interaction with our members

The major recommendations made by us was incorporated in the new EIA draft policy issued by MoEF& CC in which the upper caps for EIA clearance were substantially enhanced from 30,000 TPA as existing earlier for foundries as below :-

### **Revised Caps for EIA clearance for Foundries**

Cupola based – More than 60,000 TPA upto 100,000 capacity for B2 Project

Induction Based –More than 100,000 upto 150,000 TPA for B2 Project

Cupola Based – More than 100,000 TPA for B1 project

Induction Based-More than 150,000 TPA for B1 project

New EIA Policy draft made.& notified by the Ministry on 23-3-2020

## **Capital Goods Committee**

IIF Represented in DPIIT–CII National Consultation forum for Make in India 2.0 .The various recommendations on behalf of Foundry sector were discussed in the meeting on Capital Goods committee Chaired by CMD, BHEL in the presence of JS,DHI & the same was presented by the Chairman before the Minister of Commerce during the report back session.

Represented IIF in 4th CII-DHI Capital Goods Summit. IIF was invited to participate in the panel discussion on 'Attracting Investments to meet domestic demand'.

## **National Workshop on 'ENERGY CONSERVATION GUIDELINES for MSMEs.**

IIF was invited to participate in the panel discussion during the event organized by BEE & TERI to release the energy conservation guidelines for MSMEs .Sr Director ,FIC represented IIF during the panel discussions & the guidelines were circulated to members .As a follow up action BEE with IIF will be initiating energy mapping in foundries in a few select foundry cluster .

## **Regulation Reg Control of Harmonics by CEA for consumers connected to below 33 KV supply**

CEA had issued notification 53/2019 for control of harmonics also by all users connected to below 33 KV also to be implemented by April 2020 .Earlier these were applicable to users above 33 KV Most foundries including MSMEs will be impacted & they will need to make substantial investment & it will take long time to implement .The matter was taken up with chief engineer & Member CEA & also written representation was also made to CEA to extend the date of implementation as it will need investments by MSMEs & suitable financial support mechanism from Govt will be required . Moreover the equipment supplier will have to be mandated to manufacture the equipment which will enable compliance .The matter is under consideration of CEA

## **Proposal on TUF**

IIF had submitted detailed scheme document on Technology Upgradation Fund Scheme for Foundries. The matter is being pursued further with DPIIT and several meetings at JS level held at DPIIT and detailed presentation was also given.

## **Pre Budget Proposals 2020-21**

IIF had compiled & submitted the detailed pre budget memorandum for the FY 2020-21 in Jan, 2020 through the nodal ministry DPIIT, Ministry of Commerce and Industry. Key areas of recommendations include the following:-

- Review of definition of MSMEs& enhance upper cap for purpose of definition
- CLCSS for MSMEs to be enhanced
- Reduction of import duties on key raw materials
- Ensure timely payment to MSMEs by Govtdeptts /PSEs & enhance limit for collateral free credit

## **Definition of MSMEs**

IIF has been representing at various forums for last several years for enhancing the cap in investment for the purpose of classification of MSMEs as the definition was last changed in 2006 & these limits are no longer relevant

The Govt has now re-defined MSMEs without distinction in manufacturing & service sector & the limits are now changed as below :-

Micro : Investment less than Rs 1 Cr / Turnover less than Rs 5 cr

Small : Investment less than Rs 10 Cr/ Turnover less Than Rs 50 Cr /Turnover

Medium : Investment Less than Rs 50 Cr /Turnover less than Rs 250 Cr ( Announced on 1-6-20)

This will give access to large no of foundries to access various promotional schemes of Ministry of MSME

### **S.O. 2614 E dt 22-7-2019 reg ISI Certified Steel & Allied Products of Ministry of Steel**

This was issued by Ministry of steel ( MoS) for implementation in April 20 which included ferrosi used in foundries .Issue was taken up with Economic Adviser ,MoS& subsequently written representation was made to Ministry of Steel to allow extension of time for implementation by one year to allow building up of domestic capacity in manufacturing to meet the demand .The MoS has allowed extension till July 2020

### **NGT Order on Polluting Industries**

As a result of NGT order dt10-7-2019 operations of all industries in red & orange category located in CPAs & SPAs came to standstill .There was lot of confusion on operation/ up gradation /expansion of such industries including foundries operating in such areas as identified by CPCB based on Pollution index of the areas

Matter was represented to MoEF& CPCB that the units which are complying to all regulations & operating with valid consent should not be penalized as the CEPI score in the CPA/SPA depends on various factors other than industry & study should be conducted to identify the contribution to CEPI by various sources

Meetings were held with Member Secretary CPCB & representations were sent jointly with CII & finally the guidelines were issued for operation /Expansion of industry in Red.Orange category lpcated in CPAs /SPAs

Subsequently NGT clarified that there is no absolute ban on operation of R/O category industry in CPAs/SPAs & that complying units will be allowed to function normally & directed MoEF& CPCB to make guidelines for upgradation / expansion which were subsequently issued

### **Post COVID 19 IIF Recommendations to Govt. for Industry**

DPIIT, Ministry of Commerce &Industry ,the nodal Govt. deptt for foundry sector has been interacting with IIF actively & seeking inputs & recommendations from time to time on various issues

A video conference was also held with Joint Secretary DPIIT Shri Anil Agrawal who wanted to interact to know about the issues pertaining to foundry sector & our recommendations .The detailed recommendations were submitted to DPIIT after the interaction for their perusal

Subsequently inputs were invited from members about various issues & recommended policy interventions by Govt. to restart economic activity .The detailed recommendations were prepared & submitted on behalf of IIF on major issues covering following to all concerned authorities for their consideration

1. Ensuring Liquidity & availability of credit at soft terms with moratorium & without collateral
2. Enhancing the bank limit automatically
3. Enhancing working capital limit as term loan payable over extended period with moratorium & term loan for plant & machinery to be extended by 5 years
4. Payment of Wages to workers through EPF & Govt contribution for payment to PF & ESI to be made for extended period
5. Free movements of consignments across state borders & to & from ports
6. Enhancing the limits for definition of MSMEs
7. Export incentives in MEIS scheme to be enhanced by addl 5%
8. Taxation & Statutory Dues Refunds urgently
9. Filing of Statutory Returns to be relaxed
10. Issues related to reduced interest rates
11. Due Payments by PSEs & Govt Depts to be released immediately
12. Amnesty to Exporters for default on EPCG/Adv Authorizations & no auto debit
13. Extension of bank limits
14. Imposition of additional import duty on parts for which capacity is available in India
15. Issues related to shipments, delay in customs clearances & diversion of Export consignments held up at Mumbai to other ports for exports
16. Issues related to insolvency & bankruptcy codes

## **Major Meetings held**

Attended Sectoral consultation on the upcoming Foreign Trade Policy (FTP) 2020-25, held on 16<sup>th</sup> March 2020 followed by Report Back Session with Hon'ble Minister Commerce & Industry & Railways, Mr. Piyush Goyal

Meeting held with Joint Secretary, DPIIT. JS was apprised about the current status of the foundry industry, opportunities and challenges & also briefed about IIF and its activities. IIF raised issues related to Sector Specific recommendations given by IIF for inclusion in the New Industrial Policy, Technology Development Fund for Foundry Sector

Participated in stake holders meeting with CII and also with MS, CPCB regarding NGT Orders on Polluted Clusters

Attended interactive session with Mr. Sunil Kumar Sawhney, Principal Chief Commissioner, CGST, CBIC, Delhi Zone to address on benefits and procedure of the Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

Submitted written representation to Minister of Commerce, Industry & Railways regarding issues being faced by suppliers due to Purchase Policy of Railways with suitable recommendations for his intervention

IIF represented in meeting with JS, Ministry of Commerce, Secretary, Ministry of Chemicals & Minister of chemicals & Fertilizers & made case against proposal initiated by domestic manufacturers of phenol to restrict import of phenol which is not in overall interest of users including foundries & finally the Ministry decided not to restrict import of phenol as proposed by us

Meeting held with Secretary Defence Production to discuss the scope of indigenization of several castings being imported presently by various units under Department of Defence Production.

## **Others**

- Submitted written representation to Minister of Commerce, Industry & Railways regarding issues being faced by suppliers due to Purchase Policy of Railways with suitable recommendations for his intervention
- CLCSS Scheme – Several Representations made at various levels. Scheme reinstated in Sept 19 (Additional benefits for certain categories)
- Submitted inputs for Mechanism for new/expansions of R & O category in PIAs .Mechanism formulated by MoEF&CC
- Supported CEOs meet held in Mumbai and Chennai
- Demo of construction of Paver blocks done through FMC two units i.e. BMC & Pranjpe Autocast

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