

**ASSOCHAM**

**PRE- BUDGET  
RECOMMENDATIONS  
ON  
INDIRECT TAXES**

**2018-19**

**THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA**

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<b>CUSTOMS ISSUES</b>			
1.	<b>Basic Customs Duty (BCD) Exemption for Raw Material used For Manufactu-ring Optical Fibre Cable (OFC)- HDPE, Jelly, PBT and Co-Polymer Coated MS Tape/ Stainless Steel Tape</b>	Basic Customs Duty (BCD) Exemption For Raw Material HDPE, Jelly, PBT and Co-Polymer Coated MS Tape / Stainless Steel Tape <b>For <u>Manufacturing Optical Fibre Cable (OFC)</u></b> by including in List 5 of Notification No 50/2017-Customs dated 30-06-2017 [Sr No 168(A) ]	<ul style="list-style-type: none"> <li>• Optical Fiber (“OF”) falling under CTH No 9001 1000/Optical Fiber Cables (“OFC”) falling under CTH No 9001 1000 &amp; 8544 7090 are used in Fibre-Optic communications to enable transmission over longer distances and at higher bandwidth.</li> </ul> <p>In a larger interest of the telecommunication industry in India which is catalyst for digitiation, it is essential</p> <ul style="list-style-type: none"> <li>• To reinstate the BCD exemption earlier provided to Raw Material like HDPE [3901], Co-polymer coated MS Tape / Stainless steel tape [7212 ] and</li> <li>• To exempt Raw Material like PBT [3907] &amp; Jelly [2712/3404/3824]</li> </ul> <p>a) Current duty rates led to ‘Inverted Duty’ structure wherein Finished Cables [OFC] can be imported under 3.6% &amp; 0% from Japan &amp; Korea under FTA, however the inputs / raw materials attract higher rate of duty [7.5% to 10%] making manufacture of OFC unviable. The Indian Cable Manufacturing Industry have made huge investments in the indigenous manufacturing and has an installed capacity of 43 Million FKM to meet the current domestic demand of 15 Million FKM of Optical Fiber and Optical Fiber Cable and to support future requirement for next 10 years with investments of INR 5,500 Crores</p> <p>b) Scarcity of the alternative material required for the manufacture of Optical Fiber Cable;</p> <p>c) Performance of the alternative material required for the manufacture of Loose Tubes used in the manufacture of Optical Fiber Cable</p> <p>d) Requirement of Domestic industry/PSU, specifies OFC manufactured out of HDPE,PBT</p> <p>e) Standard Input Output Norms (SION) fixed by Director General of Foreign Trade [DGFT] recognize HDPE, Jelly, PBT</p>

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			<p>and Co-polymer coated MS Tape/Stainless Steel Tape as key raw material for manufacture of OFC {SION reference No. B232, B233, B234 and B236}</p> <p>f) Domestic unavailability of the HDPE, PBT, Jelly and Co-polymer coated MS Tape / Stainless steel tape with required qualitative characteristics;</p> <p>g) “End Use” condition i.e. under regulations of Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017, to safeguard the interest of the domestic HDPE, PBT, Jelly and Co-polymer coated MS Tape / Stainless steel tape manufacturers. The mandate could be to use of the Raw Material only for manufacture of OF/OFC</p> <p>h) Supporting domestic manufacturers will help India to emerge as a self-dependent nation in technology sector</p>
2.	<p><b>Increased import of aluminium declined share of Indian aluminium producers in domestic market</b></p>	<p>Increase basic custom duty on aluminium and its products as under :</p> <p>1. <b><u>HSCode 7601, 7603 to 7607</u></b> – <b>From 7.5% to 15%</b></p> <p>2. <b><u>HS Code 7608 to 7616</u></b>-<b>From 10% to 15%</b></p>	<ul style="list-style-type: none"> <li>Indian Aluminium Industry has seen a huge surge in Imports in recent years primarily from China and Middle East which have surplus aluminium capacity and their Aluminium Industry is supported by government in form of concessions/ subsidies with cheaper power tariff, low cost gas allocations, tax benefits, and VAT rebates on exports bringing down the production costs. Whereas in India the electric power and inputs for generating power are taxed.</li> <li>Even though our domestic industry is capable of meeting 125% of the consumption demand, it is able to supply only 47% of domestic demand due to unfair competition from import which meet balance 53% of India’s aluminium demand.</li> <li>In FY17 India’s domestic aluminium sales declined by 2% despite increased domestic consumption. Whereas aluminium imports increased by 5% from 1670 kt in 2016 to 1751 kt. Aluminium imports have increased by 99% in last 6 years from 878kt in FY11 to 1751 kt in FY17(CAGR of 12%).</li> </ul>

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			<ul style="list-style-type: none"> <li>High imports have resulted in declining domestic market share of primary producers (declined from 60% in FY11 to 47% in FY17) and underutilized capacities rendering huge financial losses.</li> <li>Aluminium imports in FY17 resulted in forex outgo of USD 3.4 billion (1% of total imports in India), which could have been saved because India’s domestic aluminium industry has adequate mfg. capacity and is self-sufficient to cater nation’s demand.</li> <li>Increase in custom duty will restrict imports and improve domestic production capacity utilization thereby generating employment and boosting government’s “Make in India” vision.</li> </ul>
3.	<p><b>Increased import of Aluminium Scrap led to its use as substitute for primary aluminium metal in sensitive applications leads to environment and health hazards</b></p>	<p>Increase import duty on Aluminium scrap (HS Code 7602) at par with primary metal, as in the case of other non-ferrous metals like copper, zinc, lead, nickel, tin etc. which have same custom duty for scrap and primary metal</p>	<ul style="list-style-type: none"> <li>Primary aluminium industry is facing severe threat form the increasing import of Aluminium scrap, which constitutes around 53% of the total aluminium imports.</li> <li>Primary aluminium metal and aluminium scrap can be used almost interchangeably in many applications.</li> <li>As aluminium Scrap is imported at 2.5% custom duty as compared to 7.5% duty on Primary Aluminium, the 5% duty differential encourages importers to import scrap, rather than using primary aluminium.</li> <li>The average discount on scrap is 12% on LME, the total discount/ differential becomes 17% with custom duty difference of 5% between primary Aluminium and scrap.</li> <li>The high differential in duty structure is leading to substitution of primary Aluminium by scrap – reflected in a sharp rise in imports of scrap which have increased by 7% in FY17, and increased by 98% in last 6 years from 470 kt in FY11 to 931 kt in FY17.</li> <li>The differential in duty encourages downstream industry to</li> </ul>

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			<p>shift from primary aluminium to scrap giving high margin.</p> <ul style="list-style-type: none"> <li>• There is also possibility of duty evasion by mis-declaration of non-scrap imports, resulting in direct revenue loss to the govt. exchequer.</li> <li>• All other non-ferrous metals like copper, zinc, lead, nickel, tin etc. have same custom duty for both scrap and primary metal.</li> <li>• Use of scrap in sensitive applications leads to environment and health hazards. Use of scraps in electrical appliances/ electrical transmission lines leads to loss of conductivity and electricity losses.</li> <li>• Power transmission lines in India are based on Aluminium conductor and not copper, and the cost of failure is quite high for both industry and economy.</li> <li>• In consumer durables segment, utensils made from scrap metal, having high lead content with presence of other harmful elements can cause severe health implications.</li> <li>• Hence the custom duty on aluminium scrap should be kept at par with duty on primary aluminium metal in line with other non-ferrous metals.</li> </ul>
4.	Rising cost of production of indigenous Aluminium Producers due to high import duty on critical raw materials used by	<p>Reduction in duty on following critical raw materials used by aluminium:</p> <ul style="list-style-type: none"> <li>• <b><u>Alumina (28182010):</u></b> From 5% to Nil</li> <li>• <b><u>Coal-Tar Pitch(270810)</u></b></li> </ul>	<ul style="list-style-type: none"> <li>• The cost of production of aluminium metal in India has increased considerably over past 3-4 years due to increased cost of raw materials, clean environment cess on coal (Rs.400/MT) (replaced by GST Compensation Cess under GST regime), Renewable Power Obligation (RPO) and high logistic costs.</li> <li>• The countries like China promotes domestic value addition by levying nil custom duty on raw materials used for Aluminium production, and encourages exports of finished aluminium products.</li> </ul>

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	primary aluminium producers	<p><b>10):</b> From 5% to 2.5%</p> <ul style="list-style-type: none"> <li>• <b><u>Aluminium Fluoride (28261200):</u></b> From 7.5% to 2.5%</li> <li>• <b><u>Caustic Soda Lye (28151200):</u></b> From 7.5% to 2.5%</li> </ul>	<ul style="list-style-type: none"> <li>• The high import duties on raw materials has a huge disadvantage for domestic aluminium producers which are dependent on imported raw materials, rendering Indian finished goods costlier and uncompetitive in the international markets, and gives them negative protection against cheaper imports of finished products, thereby discourages domestic value addition within the country.</li> <li>• The duty on the following critical raw materials for aluminium industry should be reduced to encourage domestic value addition within the country and thereby increasing exports of Aluminium and its finished products. <ul style="list-style-type: none"> <li>❖ <b><u>Alumina (HS Code- 2818 20 10)</u></b> –Alumina is a primary raw material for Aluminium production constituting ~40-45% of cost of production.</li> <li>❖ Aluminium producers are importing Alumina to meet domestic industry requirement as majority of bauxite ore deposits are still unexplored in India.</li> <li>❖ The alumina prices have increased from as low as \$229/MT \$400/MT. (Alumina Price Index- Australia FOB), rendering high Aluminium COP.</li> <li>❖ <b><u>Coal Tar Pitch (HS Code- 2708 10 90)</u></b>– Aluminium industry uses a substantial quantity of total production/imports of CT Pitch. The contribution of CT Pitch in cost of production of aluminium is 3.5% -4%</li> <li>❖ <b><u>Aluminium Flouride (AlF<sub>3</sub>) (HS Code 2826 12 00)</u></b> – India is a net importer of AlF<sub>3</sub> and aluminium industry is importing 100% of its requirement. The custom duty on AlF<sub>3</sub> is 7.5%, i.e. same as duty on Aluminium metal.</li> <li>❖ <b><u>Caustic Soda Lye (HS Code 2815 12 00)</u></b>– India is a net importer of caustic soda. Aluminium industry is one of the largest importers of caustic soda and imports about 75% of its total requirement. The custom duty on Caustic Soda is 7.5%, i.e. same as duty on Aluminium metal.</li> </ul> </li> </ul>
5.	<b>Bauxite Shortage for</b>	Increase export duty from 15% to 20% on	<ul style="list-style-type: none"> <li>• India has adequate basic raw material availability for aluminium production and has 5th largest bauxite reserves in the world (over 3.7billion tonnes).</li> </ul>

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	<b>Primary Aluminium Producers and exports without domestic value addition</b>	<ul style="list-style-type: none"> <li>• Bauxite (Natural) Not Calcined (HS Code 2606 00 10) and</li> <li>• Bauxite (Natural) Calcined (HS Code 2606 00 20)</li> </ul>	<ul style="list-style-type: none"> <li>• This natural advantage is being negated in recent years as many alumina refineries in India are finding it difficult to source bauxite domestically.</li> <li>• Partly, this has been due to delay in mine clearances, but the problem has been further intensified by the export of bauxite from India</li> <li>• In FY 17, India exported 1830 kt bauxite (both calcined and not-calcined) and at the same time imported 1716 kt bauxite for meeting domestic requirements.</li> <li>• Majority of bauxite ore from India is exported to China, thereby supporting Chinese value addition through their aluminium industry which exports finished Aluminium products back to India.</li> <li>• Currently Indian Alumina refinery capacity is 6.28 mtpa and bauxite requirement is 18.8 mtpa. With upcoming expansion projects, the total alumina refining capacity will increase to 12.8 mtpa having bauxite requirement of 38.3 mtpa</li> <li>• While Government is encouraging Make in India for boosting domestic manufacturing the bauxite exports should be discouraged to ensure domestic value addition within the country by processing bauxite to alumina and further to aluminium metal. This shall also encourage exports of finished aluminium products and generate employment opportunities in the downstream sectors.</li> </ul>
6.	<b>BASIC CUSTOMS DUTY ON STAINLESS STEEL FLAT PRODUCT</b>	Increase Basic Customs Duty on Stainless Steel flat products to 10% from the current rate of 7.5% on par with other steel	<ul style="list-style-type: none"> <li>• The domestic stainless-steel industry has been growing at a CAGR of 9% for the last 7-8 years. Based on a good growth potential investment to the tune of Rs 35,000 cr was made by industry which is under jeopardy.</li> <li>• One of the main reasons for this is the huge import surge, especially from China. Import of stainless steel flat products</li> </ul>



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	<b>S (HS codes 7219 and 7220)</b>	products.	<p>rose from 3,24,460 MT in 2013-14 to the highest ever record of 5,32,033 MT in 2015-16 (Source: Ministry of Commerce).</p> <ul style="list-style-type: none"> <li>• Imports from China have more than doubled from 1,11,765MT in 2013-14 to 2,76,456 MT in 2015-16 (Source: Ministry of Commerce). China now accounts for more than 50% of the import basket. Today this is major threat to indigenous steel industry.</li> <li>• Other Factors which have contributed to this import surge from China, Korea and Japan can be attributed to the following factors: <ul style="list-style-type: none"> <li>❖ Demand supply conditions in China led to import surge in India.</li> <li>❖ Inherent cost dis-advantages for Indian manufacturers</li> <li>❖ Surplus production of stainless steel in Japan and Korea and Negative impact of FTAs signed with these countries.</li> <li>❖ Circumvention of Anti-dumping Duties in India.</li> <li>❖ Trade remedial measures imposed by other countries.</li> </ul> </li> </ul>
7.	<b>Higher peak rate of customs duty</b>	Customs duty rate on raw materials needs to brought down to 5%.	<p>Peak rate of customs duty has remained static at 10% since 1<sup>st</sup> March, 2007. Levy of peak rate of customs duty on raw material has increased the cost of manufacture. In certain cases it has led to inverted duty structure which has made the matter worse for the indigenous industry.</p> <p>It is recommended that the peak rate of customs duty on raw materials be brought down to 5% and correct the inverted duty structure. This would promote 'make in India' policy</p>
8.	<b>Duty free import of oils for manufacture of soaps/oleo-chemicals under conversion</b>	Allow duty free import of oils for manufacture of soaps/oleo-chemicals under conversion/job work manufacturing arrangement as	<ul style="list-style-type: none"> <li>• Oils such as Palm Fatty Acid Distillate [PFAD], Stearine, Stearic Acid, etc are converted into Distilled Fatty Acid [DFA] and DFA is subsequently used for the manufacture of soaps. Such oils are allowed at 'nil' rate of duty as per Sr. No. 230A of the Notification No.12/2014-Cus dated 11.7.2014 read with Customs [ Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods] Rules, 2016 when imported into India for manufacture of soaps and oleo-chemicals by the importer.</li> </ul>

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	arrangement	well.	<ul style="list-style-type: none"> <li>• One of the conditions for import of the industrial oils under concessional rate of duty is prior permission from the Jurisdictional Central Tax Authorities for import of such oils and such permission / certificate obtained should be submitted to Customs authorities at the time of filing the Bill of Entry for allowing duty free clearance.</li> <li>• While there has been no issue in case of manufacturing activities undertaken at the own unit the problem arises when such manufacturing activities are contracted to a third party who undertakes the manufacturing activity for and on behalf of the brand owner/ principle manufacturer who supply the material. It is recommended that use of such oil imported at concessional/ nil rate of duty should be allowed when under job-work for soap making and for conversion of oils into DFA for manufacture of soaps.</li> </ul>
9.	To allow imports of PE Resins at a concessional rate of duty [Mega Notfn No. 12/2014]	To include the item under Mega Not FN No. 12/2012 as amended allowing import of these resins at <b><u>“Zero Basic Custom Duty”</u></b> subject to condition that these resins would be utilized for manufacturing, of flexible packaging laminates required for manufacture of products listed in the IEM of the respective manufacturing industries.	<ul style="list-style-type: none"> <li>• Manufacturing industries in India are importing new PE Resin Technologies into India. Import of new resin is primarily being planned to reduce the plastic packaging thereby reducing the plastic waste and promoting environmental safety. These flexible packaging laminates are used in various manufacturing industries including FMCG for use in packing of finished products.</li> <li>• Borouge bimodal technology is unique as it gives toughness to the packaging even after pack is down gauged. It reduces consumer and customer quality issues (for us it has reduced to an extent of 16%).</li> </ul> <p>The following three grades of resins are imported from Borouge UAE with <b>HS Code 3901.90.90:</b></p> <ol style="list-style-type: none"> <li>a. FB 2230 ( Borstar technology bimodal LLDPE resin)</li> <li>b. FB 1350( Borstar technology bimodal LLDPE resin)</li> <li>c. FK 1820( Borstar technology bimodal Metallocene LLDPE resin)</li> </ol> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>• Appreciating the need for reducing the packaging footprint</li> </ul>

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			<p>in the environment, efforts were taken to explore different technologies that can help industries to reduce the footprint. This further helps on protection of degrading natural resources and it is appropriate to country's context as it is environmentally effective, cost efficient, taking an integrated structured approach and avoiding barriers to trade. Overall, this would strive to reduce waste from manufacturing operations.</p> <ul style="list-style-type: none"> <li>• With the use of Borouge Bimodal technology industries can harmonize their flexible packaging laminate and also down gauge the material thickness. Reducing the material thickness has no negative impact on performance of the packaging if we use Borouge bimodal technology. In the second stage, efforts are on exploring the next level of resin change namely Metallocene grade, again using Borouge Bimodal technology. This technology and products mentioned above would be used for manufacturing flexible packaging laminates which are generally used for medium and low income groups.</li> </ul> <p>Both these steps will help us reduce the amount of packaging by weight and will also result into lesser wastages which would ultimately be a step towards environmental friendliness.</p> <ul style="list-style-type: none"> <li>• It does not result into any kind of damage to the quality of product for which such packaging material would be used.</li> </ul> <p><b>Sourcing</b></p> <ul style="list-style-type: none"> <li>• Middle East traditionally has lowest cost of Polyethylene resin and Asian countries like India has the best cost of converting the resin into film. It promotes <b><u>“Make in India”</u></b> as the country can then use them domestically or export the finished polyethylene film to any part of the world at a very competitive price.</li> <li>• Currently the abovementioned grades attract 7.5% Basic Custom Duty.</li> </ul>

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			<p>None of the Indian manufacturers have this “Borouge Bimodal technology” and therefore, if the duty is reduced or exempted on these resins, it would not have any adverse impact on the domestic manufacturing sector.</p> <ul style="list-style-type: none"> <li>• These types of resins are also manufactured in Singapore where Indian Government has given the preferential duty treatment under India- Singapore FTA. Our specific request therefore is to include these resins in jumbo Notification No.12/ 2012, subject to actual user condition.</li> </ul> <p>We earnestly request, <b>“Zero Basic Custom Duty”</b> for import of these resins, subject to condition that these resins would be utilized for manufacturing, of flexible packaging laminates required for manufacture of products listed in the IEM of the respective manufacturing industries.</p> <p><b>No adverse impact on domestic packaging industry</b>  Since there are no local manufacturers, reduction of custom duty will not impact the domestic manufacturer. Secondly, the concession being asked is limited to specific end use and therefore will not result in revenue loss in general.</p> <p><b>Actual user condition</b>  The actual user condition can be monitored by GST Department for use of these resins into specified packing materials. The manufacturing of end products can be checked by monitoring the IEM’s and therefore, the necessary system to check the use of resins for manufacturing of packing material for specified end products is already in place.</p> <p>Since, concessional duty of less than 1% is already offered to Singapore under FTA government has in principal agreed for reduction in duty.</p> <p>Most importantly such a step would result into lesser plastic waste and environment friendly. Granting of this concession</p>

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			would also go a long way in promoting environmental safety thereby reducing packaging foot print and would benefit the industry and the consumers.
10.	<b>Exemption to Coking Coal should be restored</b>	It is requested to restore the exemption of NIL rate of duty allowed earlier to Coking coal without any technical definition of coking coal.	In the budget of 2014-15 the exemption available to Coking coal was removed by the Government by making it at par with other coals and thus imposed 2.5% of Basic Customs Duty on coking coal. This amendment has adversely affected the steel manufacturers in India and ‘Make in India’ drive. Coking coal is one of the principal raw materials being used in the manufacture of Steel and predominantly used for making Coke for use in steel making and thus forms a major part of the final price of the steel. Levy of 2.5% of Basic Customs Duty on Coking coal and simultaneously fixing the import duty of 5% on Coke has adversely affected the costing of the steel.
11.	<b>Enhancement of Export duty on Pellets</b>	In order to conserve the iron ore / pellets for the domestic country, it is necessary that pellet exports are discouraged by increasing export duty as in case of iron ore.	There is shortage of Iron Ore in the country. This is impacting the production of Steel in the country. Steel Industry is highly capital intensive. We have differential in export duty on iron ore is 30 % and on and pellets NIL duty. This exemption from export duty on pellets is adding to shortage of iron ore in the country due to enhanced export of pellets.
12.	<b>Exemption from import duty on steel grade limestone and dolomite</b>	It is requested to reduce the Customs Duty on all grades of limestone (CTH 2521) and dolomite (CTH 2518) from 2.5% to NIL in line with similar imports from ASEAN countries, without any	While cement grade limestone reserves are adequate, SMS, BF and Chemical grade limestoe (required by the steel industry) are not and occur in selective areas. Increase in steel production in the country, has led to rising demand for SMS and BF grade limestone. Therefore, the limestone imports have been increasing consistently. As the reserves of SMS and BF grade limestone within the country are scattered and there is a capacity limitation of the existing limestone mines in various states. In 2014-15 Budget, exemption was granted to Limestone (CTH 2521) and Dolomite (CTH 2518) “for metallurgical use conforming to IS: 10345-2004 (Limestone) and IS: 10346-2004 (Dolomite)”. While there is no apparent issue in this regard but

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		technical condition.	now all samples which were hitherto not being tested are now being sent to Bangalore Laboratories for testing due to which finalization of provisional assessments are getting unduly delayed for several months equally cumbersome for department and importer which will substantially increase transaction costs and litigation defeating the purpose of benefit of concessional duty.
13.	<b>Exemption from Import duty on Pet Coke</b>	It is therefore recommended that Customs Duty on Pet coke (CTH 2713) be reduced from 2.5% to NIL.	Pet coke (2% Sulphur) is gaining importance as one of the important carbon bearing inerts used by Steel Industry, part replacing costly and scarce coking coal and adding carbon value to the end product i.e., metallurgical coke by increasing the carbon content and yield of coke in turn reducing imports of costly metallurgical coke. Pet coke (2% Sulphur grade) is a relatively cheaper substitute of Met Coke and should therefore be encouraged in domestic industry to help save precious foreign exchange and make domestic steel mills more competitive by lowering their cost of production.
14.	<b>Exemption from Import Duty on Anthracite Coal</b>	It is therefore recommended that Customs duty on Anthracite Coal (CTH 27011100) be reduced from 2.5% to NIL.	Anthracite Coal, Coking coal, Coke, Pet Coke, Limestone, Dolomite are vital Inputs for the Steel Industry. The availability of these items in good quality is declining in the country and the Steel Industry may have to totally depend on import of these on regular basis. The basic Customs Import Duty on Anthracite Coal is 2.5% with CVD of 2%. Since Ferro Alloy Industry plays a vital role in the manufacture of Steel, it is necessary to make available these Reductants at international competitive price to make Indian steel mills more competitive.
15.	<b>Exemption from Import Duty on Metallurgical Coke</b>	It is, therefore. suggested that the Basic Customs duty on Metallurgical Coke be reduced from 5% to NIL.	Met Coke, is one of the vital Inputs for the Steel Industry. It has always been attracting the lower and concessional rate of customs duty. However, the basic customs duty has been enhanced from 2.5% to 5% w.e.f 01.03.2015. Additionally, anti-dumping duty has also been imposed on its imports with effect from 25.11.2016. As a result, the cost of this vital input in Steel manufacturing has gone up necessitating the increase in the price of the steel which is acting as deterrence to the competitiveness of domestic products in international markets vis-à-vis similar products of other countries like China as also in

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			domestic market against imported steel
16.	<b>Amendment of S N 338 of Exemption Notification No. 50/2017-Cus. dated 30.06.2017 in respect of Refractory goods to provide clarity and avoid litigation</b>	In order to avoid litigation regarding the eligibility of concessional exemption which the Govt. intends to grant through the impugned exemption notification, it is suggested that the said serial no. 338 of the said notification may be amended whereby column 2 may be substituted with "Any Chapter" and the description of goods may be substituted with "Refractory bricks, blocks, tiles and similar other refractory ceramic constructional goods, other than those of siliceous fossil meals or similar siliceous earths". This would clarify the intention of the legislature as well as avoid disputes.	Notification No.50/2017-Cus. dated 30.06.2017 issued under Section 25(1) of the Customs Act, 1962 exempts "the goods of the description specified in column (3) of the Table below or column (3) of the said Table read with the relevant List appended hereto, as the case may be, and falling within the Chapter, heading, sub-heading or tariff item of the First Schedule to the Customs Tariff Act, 1975 as are specified in the corresponding entry in column (2) of the said table, when imported into India, ...". At sr. no. 338 of the table in the said notification, in respect of 'All Goods' falling under Chapter headings '6902 or 6903', the effective rate of Customs duty has been specified as 5%. The goods covered under headings 6902 & 6903 of the Customs Tariff Act covers 'Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods, other than those of siliceous fossil meals or similar siliceous earths' and 'Other refractory ceramic goods, other than those of siliceous fossil meals or of similar siliceous earths' respectively. This reflects the intention of the legislature to grant concession to imports of refractories bricks, blocks, tiles and similar refractory ceramic constructional goods which are normally used in furnaces in metallurgical and glass industries. However, recently the classification of refractory bricks is being disputed by Custom Houses and the exemption is being denied by re classifying the refractories under Chapter heading 6815 on technical grounds of the same being non fired.
17.	<b>Increase in Customs</b>	It is suggested that Customs duty on	Prime quality of major finished steel products is liable to Customs duty @ 12.5%. However, seconds and defective goods



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	<p><b>duty on seconds and defective goods falling under Chapter 72</b></p>	<p>seconds and defective goods falling under Chapter 72 be raised to 40% as per the guidelines of WTO.</p>	<p>falling under Chapter 72 of the Customs Tariff are liable to Customs duty @ 15%. In view of the narrow margin of difference between the rates of import duties of prime quality and seconds/defective goods, there has been a surge of imports of 'seconds' and 'defective' steel products in the country. This is putting further pressure on the industry already grappling with the challenge of subdued demand and rising cost of production. In order to suppress the imports of defective steel into the country, the rate of seconds/defective goods needs to be increased.</p>
<p><b>18.</b></p>	<p><b>Amendment of sub rule 10(2) (b) of Customs Valuation Rule 2007 so as to include Ship Demurrage charges on chartered Vessels in its ambit</b></p>	<p>It is suggested that Sub rule (b) to Rule 10(2) should be amended to read as <i>“loading, unloading &amp; handling charges including demurrage charges, if any, associated with the delivery of the imported goods at the place of importation;”</i></p> <p>Or alternatively the explanation added to Rule 10(2) should be amended to delete the <i>‘ship demurrage charges on chartered vessels’</i>.</p>	<p>By virtue of ‘Explanation’ added to Rule 10(2) of Customs Valuation Rules in 2007, ship demurrage charges on chartered vessels are to be included in the transport cost of imported goods for purposes of assessment of Customs as duty and consequent thereto imported goods brought in such vessels are necessarily subjected to provisional assessment and clearance under section 18 of Customs Act after execution of necessary P.D Bond. The process of provisional assessment and finalization thereof is undoubtedly onerous and burdensome involving huge compliance cost in terms of manpower, money and time for importers as well as department. Determination of Demurrage charges is subject to protracted post import negotiations and settlement among the stake holders. It forms only a miniscule part of the cost of sea freight. Hon’ble Supreme Court has held this to be a post import cost. Besides, it is also discriminatory as it is subjected to duty only in case of goods transported in a chartered vessel and not to a non-chartered voyage vessel. Demurrage charges are extraordinary in nature relatable more to loading/unloading/and handling of imported cargo as it is charged for delayed loading/unloading of cargo beyond the agreed ‘lay time’ of the carrying vessel. It is, thus, not a part of transport cost as such. End of justice will be served if it is included in sub rule (b) to Rule 10(2) of Valuation Rules, <i>ibid</i>, by its necessary amendments and made a part of consolidated nominal statutory addition of 1% of FOB value of imported goods under proviso (ii) to Rule 10.2 of CVR 2007.</p>

**a) ZINC INDUSTRY**



S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
19.	Sharp increase in import of zinc ingot from 70kt in FY11 to 220 kt in FY17.	Increase Basic Custom Duty on Zinc Ingots (HS 790111, 790112) from 5% to 7.5%.	<ul style="list-style-type: none"> <li>▪ Increase in zinc import is more than 200% between FY11 &amp; FY17.</li> <li>▪ 70% of zinc imports are from Korea, due to the NIL duty benefit given under India-Korea CEPA.</li> <li>▪ India has sufficient production capability (860Kt) to service its demand (650Kt).</li> <li>▪ High imports force the excess capacity to be exported out, thus leading to a loss to the exchequer.</li> <li>▪ Higher input costs for domestic producers like high exploration costs, mining expenses, high royalty charges etc.</li> </ul>
20.	Indian Producers forced to export zinc ingots due to import at zero duty rate.	Increase duty drawback rate on Zinc Ingots (HS 790111, 790112) to 3% from existing 1.5%.	<ul style="list-style-type: none"> <li>▪ Despite having more than sufficient supply capability (860Kt) to service India's demand (650 Kt), increasing imports are forcing indigenous manufacturers to export surplus. Nearly 1 lakh tons of zinc production capacity is lying idle.</li> <li>▪ Zinc industry is incurring high duty incidence (non-cenvatable) on the raw materials consumed in the manufacturing of finished goods for export &amp; recovery of duty @ 1.5% duty drawback is insufficient.</li> </ul>
21.	Zinc ingot imports from Korea increased 1400% from 10Kt in FY 11 to 150 Kt in FY 17 due to <b>NIL duty</b> under India-Korea CEPA.	Review of India-Korea CEPA & introduction of anti-dumping duty/special duty on Zinc ingots (HS 790111, 790112) imported from Korea.	<ul style="list-style-type: none"> <li>▪ Korean zinc imports account for ~70% of India's total zinc imports. Hence them being Duty free impacts the Indian market in a big way.</li> <li>▪ Korea has excess zinc production of ~300 Kt, half of which is exported to India. India is also a surplus market (200 Kt surplus) &amp; due to cheaper Korean zinc imports, Indian produced zinc ingots has to be exported.</li> <li>▪ If Indian producers import zinc concentrate (raw material for zinc ingots) they pay 2.5% on DMT basis or 5% on MIC basis as custom duty. Finished goods made from imported concentrate have to compete with NIL duty finished goods from Korea. This creates an <b>Inverted Duty structure</b>.</li> </ul>
22.	Besides Korea & Japan, India	Put Zinc Ingots (HS 790111, 790112) in	<ul style="list-style-type: none"> <li>▪ India is already reeling under pressure from India-Korea &amp; India-Japan CEPA, due to which Korea zinc imports ZERO duty and Japanese zinc imports shall become ZERO duty in</li> </ul>

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
	has a threat from the Australian and Chinese Zinc imports, if they become Duty Free under the upcoming RCEP treaty.	negative list of the upcoming RCEP treaty.	<p>2020-2021.</p> <ul style="list-style-type: none"> <li>▪ Australia, like India, is a zinc surplus nation with ~ 300 Kt excess productions. Australia's demand growth has flat lined at 170Kt &amp; below level since 2012. Australia will export its excess zinc capacity to India if allowed to become NIL duty under the RCEP treaty.</li> <li>▪ China's growth is slowing down and its steel consumption is slowing as a result. Therefore, its zinc demand will slow down soon and it shall become a zinc surplus nation, like pre-2000 period. If allowed to be NIL duty under RCEP, China has potential to harm the Indian Zinc producers in a great way due to its proximity and easy accessibility to India.</li> </ul>
<b>b) Lead Industry</b>			
<b>23.</b>	Sharp increase of Lead imports from FY11 to FY17 of 48% increase.	Increase in Basic Custom duty on Lead Ingots (HS code 780110) & Lead Scrap (HS code 780200) from existing 5% to 7.5%	<ul style="list-style-type: none"> <li>▪ Cheaper imports under FTAs like under India – Korea CEPA where import duties on Lead are now <b>NIL</b> result in oversupply in market and disturb balance of trade (Annexure, Table 2).</li> <li>▪ India also has FTA with Japan under which zinc from Japan is imported at 1.8% duty which will become NIL in 2020.</li> <li>▪ Apart from manufacturing cost disadvantage, Indian manufacturers face disadvantage from higher input costs (high royalty, freights &amp; financing cost)</li> </ul>
<b>24.</b>	Limited ore availability, high import duty on concentrate and inverted duty structure creates a lot of problems for domestic	Reduction in Basic Custom Duty on Lead concentrate (HS code 260700), from existing 2.5% to NIL percent	<ul style="list-style-type: none"> <li>▪ Limited availability of ore in country leads to shortage of Lead ore and concentrates and hence further leading to production capacities lying idle.</li> <li>▪ High import duties on concentrate make production of Lead ingots costlier and we face stiff competition from international players both in the domestic as well as international market.</li> <li>▪ Although customs duty on Lead metal is pegged at 5% since January'07, in view of the multiple preferential trade</li> </ul>

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
	lead producers.		agreements, the effective duty on Lead metal is now NIL, especially when imported from South Korea and marginal duty when imported from Japan. Duty on Japanese imports shall become NIL from 2020 onwards, as per the India-Japan CEPA. At the same time, the customs duty on raw material (Lead conc.) is 2.5%, leading to a clear <b>inverted duty structure</b> .

## SECTOR SPECIFIC ISSUES

### POWER SECTOR

1.	<p><b>Form C for Procurement of petroleum products by electricity generation companies</b></p> <p>Five petroleum products namely Petrol, High Speed Diesel oil, Aviation turbine fuel, crude oil, natural gas has been kept outside GST for initial few years. Therefore on the said products pre</p>	<p>A suitable clarification be issued in this regard continuation of eligibility of C form to power generation towards procurement of aforesaid 5 petroleum products which are outside GST</p>	<p>Since CST Act has not been amended by the Taxation amendment Act 2017, Section. 8 (3)(b) of CST Act 1956 still provides for eligibility of C form for goods purchased for generation or distribution of electricity, electricity companies can't be deprived off from the benefit of C Form. Sec 8(3) (b) of CST Act, 1956 has been reproduced as below</p> <p>(b) [***] are goods of the class or classes specified in the certificate of registration of the registered dealer purchasing the goods as being intended for resale by him or subject to any rules made by the Central Government in this behalf, for use by him in the manufacture or processing of goods for sale or in the telecommunications network or in mining or in the <b>generation or distribution of electricity or any other form of power</b>.</p>
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S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
	<p>GST taxes are leviable under the respective legislations i.e Central Excise Act 1944 and State Value Added Tax. Further a Registered Dealer could purchase such goods on the strength of his registration such goods at the concessional rate of tax @2% against Form-C as per Section.8 (3) (b) of the Central Sales Tax Act 1956 for the generation of Electricity to procure inputs and raw materials or such other goods required for</p>		

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
	<p>generation or distribution of Electricity. However it may be noted that, recently vide circular no 12539/CT dt 17.08.2017, State of Orissa has clarified that C form is available only for the purpose of trading of above mentioned goods, such issue of notification by the State of Orissa under Central Sales tax Act is contrary to the legislative competence</p>		

**RAILWAY FREIGHT**

	<p><b>Bauxite placed in higher class (160) of Indian</b></p>	<p>Re-classification of Bauxite from class 160 to class 145</p>	<ul style="list-style-type: none"> <li>• Goods of high value are made to pay more so that commodities of low value may be carried at lower rates.</li> <li>• Principally, ores with higher material value are classified under a higher class. Bauxite ore is placed in a higher class</li> </ul>
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S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
	<b>Railways tariff structure</b>		<p>(160), while ores with higher material value like manganese, coal etc. are classified under a lower class (145).</p> <ul style="list-style-type: none"> <li>• Although limestone and bauxite have remained together historically, limestone was rationalized under class 145 in the 2015 budget while bauxite is still under class 160.</li> <li>• 5-6 tons of bauxite required for 1 ton aluminum, and bauxite has the highest transportation cost as a percentage of material cost (21%).</li> </ul>
2.	<b>Alumina placed in higher class (180) of Railway tariff structure</b>	Re-classification of Alumina from class 180 to class 170	<ul style="list-style-type: none"> <li>• Railways has classified all ores under class 160 or less and all metals under class 180.</li> <li>• Commodities are grouped together into various classes which more or less have similar characteristics.</li> <li>• Alumina is an intermediary product obtained from bauxite (ore) and is used to make Aluminium (metal). It is neither an ore nor a metal and needs to be rationalized at class 170 in between that of ores and metals.</li> <li>• Although alumina is an intermediate material, and based on the market value it is around 7 times less than that of Aluminium. However it is classified in the same class 180, as that of Aluminium metal.</li> <li>• The Alumina is sourced from long distances including imports, and high freight rates are making Aluminium industry production costs economically unviable, and has forced the plant to run at low capacities</li> </ul>
3.	<b>Major commodities like Coal, CP Coke and Container traffic have</b>	Coal, CP Coke and Container Traffic to be part of Long Term Tariff Contract (LTTC)	<ul style="list-style-type: none"> <li>• Aluminium industry is a power intensive industry and coal contributes to 40% of production cost of Aluminium metal.</li> <li>• Around 11 tons of coal is required for production of 1 ton of Aluminium metal.</li> <li>• Coal and CP Coke are critical raw materials required for</li> </ul>

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
	been excluded from Long Term Tariff Contract (LTTC)		Aluminium production, and the transportation of finished Aluminium products is majorly done through container traffic.

**PERSONAL CARE PRODUCTS**

4.	<b>Inverted Duty Structure – Indigenous Manufacture of Soap Noodles / Soap</b>	It is recommended that in order to eliminate the inverted duty structure by virtue of which indigenous manufacture of soap noodle / soap is more expensive than import of these goods from ASEAN, Lauric Acid (HSN 2915 70) is also exempted from Customs Duty.	<p>Lauric Acid (HSN 2915 9090) is an essential ingredient for manufacture of soap noodles. It is sourced primarily from Malaysia and Indonesia and attracts Customs Duty @ 7.5%.</p> <p>Toilet and Soap Noodles and Soaps, on the other hand, attract 'Nil' Customs Duty under the aegis of the Indo - ASEAN FTA which covers several countries including Malaysia and Indonesia. Consequently, indigenous manufacture of soap noodles / soap has a higher tax cost than import of soap noodles / soap from ASEAN countries.</p> <p>In order to provide a level playing field the Government, vide Notification No. 12/2014 dated 11<sup>th</sup> July 2014 was pleased to exempt from Customs Duty all goods (under HSN 3823 11,12,13 &amp; 90 and 2915 70) used in the manufacture of soaps and oleo chemicals. Unfortunately, Lauric Acid (HSN 2915 90) – a key ingredient of soap manufacture – was not covered by the said notification.</p>
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**PULP, PAPER AND PAPERBOARDS**

5.	<b>Customs Duty on Import of Pulp</b>	It is submitted that if domestic production of pulp is encouraged through measures including imposition of Customs Duties on pulp imports, not only will it provide	<p>In May 2012 the Government reduced the import duty on pulp from 5% to "Nil". It is estimated that more than 1.25 million MT of pulp, valued at approximately USD 710 million (about Rs. 4,600 crore) is imported in to the country every year. The customs duty foregone on account of these imports is estimated to be about Rs. 245 crore p.a. The break-up of the pulp imports is as under:</p> <table border="1" data-bbox="721 1877 1533 1965"> <thead> <tr> <th>Type of Pulp</th> <th>Quantity ('000 MT)</th> <th>Value (Rs. Crore)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Type of Pulp	Quantity ('000 MT)	Value (Rs. Crore)			
Type of Pulp	Quantity ('000 MT)	Value (Rs. Crore)							

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION														
		<p>a fillip to creation of jobs, it will also have a salutary effect of overall economic development of the vast rural hinterland that houses the pulpwood plantations.</p> <p>In view of the fact that Soft Wood cannot be grown in the country, requirement of Soft Wood Pulp will have to be met through the import route only, justifying the exemption from Customs Duty.</p> <p>However, in so far as Hard Wood Pulp is concerned, it would be pertinent to note that the domestic industry is working closely with the farming community for creating sustainable supply of wood – a key raw material for hard wood pulp –</p>	<table border="1"> <tr> <td data-bbox="721 296 1040 380">Hard Wood Chemical Pulp</td> <td data-bbox="1040 296 1281 380">900</td> <td data-bbox="1281 296 1533 380">3,420</td> </tr> <tr> <td data-bbox="721 380 1040 464">Soft Wood Chemical Pulp</td> <td data-bbox="1040 380 1281 464">200</td> <td data-bbox="1281 380 1533 464">900</td> </tr> <tr> <td data-bbox="721 464 1040 600">Bleached Chemo-Thermo Mechanical Pulp (BCTM Pulp)</td> <td data-bbox="1040 464 1281 600">160</td> <td data-bbox="1281 464 1533 600">580</td> </tr> <tr> <td data-bbox="721 600 1040 646"><b>Total</b></td> <td data-bbox="1040 600 1281 646"><b>1,260</b></td> <td data-bbox="1281 600 1533 646"><b>4,580</b></td> </tr> </table>	Hard Wood Chemical Pulp	900	3,420	Soft Wood Chemical Pulp	200	900	Bleached Chemo-Thermo Mechanical Pulp (BCTM Pulp)	160	580	<b>Total</b>	<b>1,260</b>	<b>4,580</b>	<p>Consequent to the customs duty exemption, pulp imports are expected to increase significantly in the near future to levels of about USD 2 billion p.a.</p> <p>It would be relevant to note in this context that to produce the quantum of pulp imported in to the country currently, i.e., 1.25 million MT more than 157 million trees are required. Basis the standard norms for conversion, production of pulp at this scale involves employment of about 33 million man-days – comprising about 31.8 million man-days in direct plantation farming and about 1.2 million man-days in production and ancillary services.</p> <p>One of the fetters to the growth of the country’s economy is the lack of adequate opportunities for harnessing and deploying the unique demographic dividend that India enjoys vis-à-vis other economies. Development of plantation farming to produce raw materials for the paper and paperboards industry is a readily available avenue for creating substantial employment opportunities on a sustainable basis. However, the potential in this regard has been completely undermined by a taxation framework wherein pulp is exempt from Customs Duties. Consequently, instead of generation of sizeable employment opportunities within the country, millions of jobs are being exported to the countries from where pulp is imported.</p>	
Hard Wood Chemical Pulp	900	3,420															
Soft Wood Chemical Pulp	200	900															
Bleached Chemo-Thermo Mechanical Pulp (BCTM Pulp)	160	580															
<b>Total</b>	<b>1,260</b>	<b>4,580</b>															



S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
		<p>through re-development of waste-lands.</p> <p>In so far as Bleached Chemi Thermo Mechanical Pulp (BCTMP) is concerned, the technology for manufacturing BCTMP has not been available in India. In line with the vision “Make in India” of Hon’ble Prime Minister, the paperboards industry has, for the first time in the country set up a state of art BCTMP manufacturing facility which is operational since March 2017. This project will save in perpetuity substantial quantum of forex outflows that would otherwise be spent for import of BCTM pulp.</p> <p>In an era of increasing global competition it is necessary for</p>	

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		<p>governments and industry to work in partnership to ensure creation of economic wealth for the nation. Accordingly, to energise creation of sustainable sources of fibre required by the pulp and paper industry it is recommended that:</p> <p>a) 10% customs duty on pulp be imposed only for Hard Wood Chemical Pulp and Bleached Chemi Thermo Mechanical Pulp (BCTMP), as under:</p> <ul style="list-style-type: none"> <li>- imposition of Customs Duty @ 10% on import of Hard wood chemical pulp under Tariff ID 47032900,</li> <li>- sub-classification of the existing Tariff classification 47050000</li> </ul>	

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
		<p>(Bleached Chemi Thermo Mechanical Pulp, (BCTM Pulp))} in to Hardwood BCTMP and Softwood BCTMP, and, - imposition of 10% Customs Duty on import of Hardwood BCTMP</p> <p>b) policy measures be put in place to facilitate private sector participation in plantation development programmes.</p>	
6.	<b>Customs Duty On Paper/Pap erboards</b>	<p>It is recommended that:</p> <p>a) Import of capital goods required by the Paper &amp; Paperboard industry for technological up-gradation - specially aimed at</p>	<p>The Indian Paper/Paperboard industry has made significant capital investments to ramp-up capacities for meeting domestic requirements. The Industry has strong backward linkages with the farming community from whom wood (raw material for manufacture) is sourced. A large part of this wood is grown in backward marginal / sub-marginal lands, which are potentially unfit for other use. The paper industry, being mainly located in backward areas, has transformed the socio economic conditions of the population residing there.</p> <p>Import of paper/paperboards into India has been steadily increasing at a CAGR of around 15.8% whereas exports from</p>

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		<p>environmental protection (e.g. Elemental Chlorine Free Technologies) and for compliance with CREP - be permitted at 'Nil' rate of Customs Duty.</p> <p>b) Exports by manufactures who have adopted environmental ly friendly technology are granted additional incentives in the form of cash incentive of 5% of FOB.</p>	<p>India have only grown at a CAGR of around 4.4%. The volume of imports in the last 5 years has doubled.</p> <p>The economic slowdown in developed economies and export dependant economies has led to severe excess capacity of Paper/Paperboard in paperboard manufacturing countries. Taking advantage of the low Customs Duty rate of 10%, these countries find India as an attractive outlet for diverting their excess inventory.</p> <p>Thus, whilst domestic industry is operating under extremely challenging conditions, substantial quantities of paper and paperboard is imported in to the country at significantly lower costs. This is bound to discourage investments towards capacity enhancement by the domestic industry, notwithstanding the fact that such investments will be necessary to cater to the expected growth in demand for paper and paperboards. The inevitable consequence of drop in investments will be a multiplier adverse impact on the Indian farmer community with whom the industry has strong linkages and a significant outflow of foreign exchange towards increased imports of paper and paperboards. In order to provide a level playing field to the domestic industry it is recommended that:</p> <ul style="list-style-type: none"> <li>a) the Customs duty for import of Paper and Paperboards be increased to 25% and brought in line with agricultural products (which ranges up to 40%), as currently industry is sourcing majority of its raw materials from Agro-forestry – supporting millions of farmers in creating value on their marginal lands,</li> <li>b) this category be kept in the Negative List (i.e., no preferential treatment) in bi-lateral and multi-lateral trade treaties and agreements.</li> </ul>

**TEXTILE SECTOR**

7.	<b>Abolition of Custom Duty on import of Wool Fibre</b>	It is, therefore, necessary that import duty of wool fibre is withdrawn.	The apparel grade wool of fine micron (25 micron and finer) and other fine animal hair are not available indigenously in our Country as such the woollen industry is dependent on imports.
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S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
8.	HANK YARN OBLIGATION	It is, therefore, necessary that hank yarn obligation is reduced from the present 40% to atleast 20%.	Hank Yarn Obligation orders issued under Essential Commodities Act stipulates that spinning mills will pack 40% of yarn on hank form, in order to ensure sufficient yarn availability to handloom sector. Three handloom surveys conducted by National Council of Applied Economic Research on behalf of Ministry of Textiles in 1987, 1995 and 2010 have assessed number of working handlooms as 3.61 million, 3.04 million and 2.15 million respectively. While the number of working handlooms have declined, the delivery of obligation of hank yarn have increased due to increase in working spindles from 41.34 million in 2009 to 52.45 million in 2017 and also the number of rotors from 0.66 million in 2009 to 0.90 million in 2017. It is also observed that hank yarn is extensively used by power loom sector.
9.	TECHNOLOGY UPGRADATION FUND SCHEME	We, therefore, request that sufficient provision be made in the Budget for 2018-19 to take care of old left out cases and the current dues.	This Scheme has been operating since 1999 and has been prevalent over the period with various amendments and currently valid upto March, 2022. During last 3-4 years, there have been problems in implementation of this Scheme and many of the eligible beneficiaries have not been provided benefits during the period 29 <sup>th</sup> June, 2010 to 27 <sup>th</sup> April, 2011. There are cases, where UID's have not been issued for delay on the part of lending institutions/bankers the current due.
10.	RESTORATION OF INTEREST EQUALISATION SCHEME	We, therefore, request that interest equalization of 3% should be provided in respect of yarn exports also, so that our product can compete in the international market.	Textile sector is highly capital and labour intensive. Cost of finance in our Country is very high (12 to 14%) as against 5% to 6% in China and 6% to 7% in Vietnam.
11.	EXTENSION OF	Hence it is requested that 2%	In view of the recent cost increase of raw material and other inputs, the spinning sector is unable to survive. It is necessary to

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
	<b>MERCHAN DISE EXPORTS FROM INDIA SCHEME (MEIS) TO SPINNING SECTOR</b>	MEIS benefits be extended to spinning sector also on immediate basis at par with other textile products. This will help boost export of yarn and liquidate high yarn inventories with the Mills.	financially support this sector.
<b>FERRO ALLOY SECTOR</b>			
<b>12.</b>	<b>Increase in Import Duty on Ferro Alloys</b>	It is therefore requested that the Import duty on Ferro Alloys be increased to 10% to allow the domestic producers a level playing field.	The Ferro Alloy industry in India is passing through a bad phase, in view of the high power tariff, increase in raw material costs, poor demand by domestic Steel Industry and cheap imports arising out of devaluation of the currencies, lower power tariff and raw material cost in exporting countries like Ukraine, South Africa, Malaysia etc.
<b>13.</b>	<b>Electricity Duty</b>	It is therefore requested in so far the threat from the Malaysia is concerned, Indian Ferro Alloy industry should be given an opportunity of sourcing of power by implementation of open access power from IPPs & CPPs to be implemented across all the States	<p>The Electricity Duty acts as a major disincentive for power intensive industries like Ferro Alloys and Steel. Even for captive generation of power used specifically for the Industry, is also not exempted from the Electricity Duty.</p> <p>The performance of the Ferro Alloy industry has plummeted to the rock bottom commensurate with shrinking demand of the Steel industries, who is the major consumer of Ferro Alloys both in India, China &amp; EU Countries. Moreover, Malaysian Government has given wide opportunities for Ferro Alloys industries by providing electric power at very cheap rate (Rs. 2.3/kwh). Since, these products are under chapter 72, have 0 (Zero) Duty, under FTA, rampant dumping of products like Ferro Silicon and Silicon Manganese will ruin the Indian ferro alloy industry.</p>

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
		<p>and necessary amendment may be requested to be done by Power Ministry to enforce Electricity Amendment Bill 2014 so that most of the power intensive industries can take power which is available at viable rate of less than Rs. 3/kwh</p> <p>It is also recommended that:</p> <ul style="list-style-type: none"> <li>• Electricity duty be either abolished or kept at a minimum level of 1 % maximum and rationalize the cross subsidy across all states.</li> <li>• Supply power at reasonable rate from Central Agencies like NTPC as has been done in the 90s.</li> </ul>	

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
14.	<b>FTA with Malaysia</b>	<p>It is therefore suggested that:</p> <p>i) Chapter 7202 is removed from FTA with Malaysia</p> <p>ii) Increasing the incentive on export of products under Chapter 7202 or providing power at cheaper price to power intensive Ferro Alloys Industry by removing/rationalizing the share of cross subsidy charged at various rates across the states.</p>	<p>FTA with Malaysia provides ZERO duty on entire chapter 72. Power rates are almost half in Malaysia compared to India and many mine owners of raw material has put up big capacity plant in Malaysia. This is giving big competition to us in global market. At the same time they have started exporting the material to India for which Indian manufacturing is becoming non-viable.</p>
15.	<p><b>EXPORT INCENTIVES TO FERRO ALLOY INDUSTRY</b></p> <p>Merchandise Export from India Scheme (MEIS)</p>	<p>In order to gain a level playing field to compete with other major producing countries, MEIS incentive may kindly be restored to 4% from present level of 2% and extended to all countries.</p>	<p>India used to be one of the major exporters of Ferro Alloys in the world. But during last few years we have lost our market share in many major markets and in the meantime exports from countries like Ukraine, South Africa, Malaysia, and China picked up and have given a tough time to the Indian exports resulting in the major fall in Indian Exports and also lowering the production in the country.</p> <ul style="list-style-type: none"> <li>Indian Ferro Alloys industry is competing with South Africa, Kazakhstan and Malaysian Producers where Power tariff is much lower as compared to the average Industrial tariff of India ( India: Rs 5-6/Kwh, South Africa Rs 2.50/Kwh and Kazakhstan Rs 15-2/Kwh). Power cost accounts for about 40% of the total manufacturing cost.</li> </ul>



S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
			<ul style="list-style-type: none"> <li>Devaluation of currencies of major producing nations (South Africa and Kazakhstan) coupled with the sluggish and shrinking demand from Stainless Steel industries resulted into significant erosion in Ferrochrome realization, at times realization of Ferrochrome has also dropped below cost of production.</li> </ul>
16.	<b>Generalised System of Preference (GSP)</b>	It is therefore requested to kindly take appropriate action to withdraw imposition of Anti-dumping Duty on Low Ash Metcoke imports from China and Australia.	<p>The European Commission has suspended tariff preference for imports of iron and steel items including ferro alloys under the Generalised System of Preferences (GSP) from 1st January 2017 resulting in additional burden of approx. 4%.</p> <p>The competitiveness lost on account of suspension of GSP benefit may be offset by allowing another 4% incentive making the total incentive under MEIS benefits at 8% from the current level of 2% for exports to 11 European countries. If Ferro Alloys are not under the MEIS schedule for exports to EU, the same may be added in the MEIS schedule with corresponding benefits to offset the loss the Indian exporters will suffer due to the suspension of GSP.</p> <p><b>Withdrawal of Anti-dumping duty on Metcoke from China and Australia</b></p> <p>Antidumping duty (ADD) has been imposed on imports of metallurgical coke from China and Australia with effect from 25/11/2016 which has caused lots of hardship to the industry. Anti-dumping duty should not be imposed due to following reasons:</p> <ul style="list-style-type: none"> <li>Indigenous Met coke industry is not capable of producing Low Ash Met coke with ash content 12.5% and phosphorous content less than 0.018% with close tolerances, which is an absolute prerequisite for use in Ferro Alloy production.</li> <li>Any high ash met coke will technically damage the furnaces and the consumption of coke and fluxes will be very high, leading to high operating cost.</li> <li>High phosphorous content in the domestically produced met coke when used leads to high phosphorous content in the</li> </ul>

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			<p>alloy which renders the alloy non marketable to majority of customers.</p> <ul style="list-style-type: none"> <li>• Domestic coke producers fail to meet this requirement in past as well as present. Gujarat NRE and Saurashtra Fuels, the major producers of met coke in India and applicants for anti-dumping petition have regretted and expressed inability to supply low ash low phosphorous coke. <i>Regret mails of both parties are attached as evidence.</i></li> <li>• India does not have sufficient reserve of coking coal required for production of LAM Coke and coal is being imported for production of LAM Coke. India doesn't have requisite quality parameters in coal required for production of low ash low phosphorus LAM coke.</li> <li>• Low Ash Metallurgical Coke with Ash 12.5% max and Phosphorus of 0.018% max, is currently being imported from China.</li> <li>• Imposition of ADD has denied the Indian industry level playing field with other competing countries like South Africa, Kazakhstan, Turkey etc.</li> <li>• Coke prices have doubled in last one year and ADD is further increasing the costs for Ferro Alloy industry.</li> <li>• Continuation of anti-dumping duty will make industry unviable and will lead to closure of Ferro Alloy industry which is manpower intensive and mostly located in interior and tribal areas</li> </ul>
17.	<b>Raw Materials requirement for Ferro Alloys</b>	It is therefore requested that the Customs Authority may be advised not to charge CV Duty specially from the port of	Manganese Ore falls under Chapter 26 under Customs Tariff Heading 2602.00.20. Such ores are exempted completely from payment of CV Duty. In view of the insertion of Note 4 to Chapter 26, the Department is of the view that the CVD exemption is available to Ores only and not to Concentrates. Since, the Ore imported by the industry is in the raw form it cannot be construed as Concentrate.

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	<p>Import duty on Manganese Ore to be reduced from 2.5 % to ZERO percent.</p>	<p>Visakhapatnam/Haldia / Kolkata to the detriment of local Ferro Manganese industries, and that the Import duty of 2% being levied on Manganese Ore be reduced to Zero percent.</p> <p>It is also suggested that:</p> <ul style="list-style-type: none"> <li>• There should be extensive exploration for Mn. Ore in the country and new mines or closed mines to be made operative.</li> <li>• Government of India must take two prong strategy of augmenting domestic production by more explorations, utilisation of lower grade Manganese Ore fines by cost effective technology and acquisition of</li> </ul>	

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		<p>Manganese ore resources, preferably in South Africa, which has the best resources.</p> <ul style="list-style-type: none"> <li>• MOIL is the largest producer of Manganese Ore, which not been able to produce to its optimum potential and is restricted to within 1 million tons which is nowhere near the requirement of the Manganese alloy industry as mentioned above. <p>Therefore MOIL has to augment its production capacity to a large extent to meet the gap. It may be noted that number of blocks are allocated to MOIL, which have not been explored. These</p> </li></ul>	

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		<p>blocks, which are remaining un-utilized may be opened up as early as possible.</p> <ul style="list-style-type: none"> <li>• While the country is having inadequate resource e of Manganese Ore and depend on more than 50% imported ore. IFAPA feels that imposition of 5% duty on Manganese Ore is totally un called for.</li> <li>• There is large resource of mixed low and other grade s of Manganese Ore, which can bed upgraded by suitable technology for which the Steel Ministry has located two CSIR Laboratories.</li> <li>• Ministry of Steel is looking around for acquisition of</li> </ul>	

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		<p>Coking Coal resources for Steel, there must be similar efforts by Ministry of Mines and Ministry of Steel together for acquisition of good grades of Manganese Ore resources, preferably in South Africa, which has the best resources in the World.</p>	
18.	<p><b>Customs duty on import of low ash low phosphorus metallurgical coke</b></p>	<p>It is therefore necessary that no Customs duty should be imposed on import of low ash low phosphorus metallurgical coke so that the industry remains competitive globally.</p> <p>Accordingly, Customs Duty on Metallurgical coke under heading 27040090 should be brought down to “Zero” from the existing level of 5%</p>	<p>Customs Duty on metallurgical coke has been increased from 2.5% to 5% In the 2015-16 budget w.e.f. 1/03/2015, increasing industry’s burden, whereas it was NIL during the period from 29/04/2008 to 10/07/2014.</p> <p>Since Metallurgical Coke with Low Ash and Low Phosphorus is not available indigenously and the Ferro Alloy Industry is dependent on imports.</p>

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		<p>as the Industry is not in a position to bear any extra cost at this juncture.</p> <p>Clean Energy Cess of Rs.400.00 PMT on Coking Coal should be removed as in the process of coke making, carbon does not get burnt and Coking coal only gets agglomerated and volatile matter gets removed.</p>	
19.	<p><b>Customs duty on import of Chrome Ore lumps to be reduced from 2.5 % to ZERO percent.</b></p>	<p>It is therefore requested that the Customs Authority may be advised not to charge any CV Duty on lumpy Chrome Ore and Customs duty of 2.5% being levied on Chrome ore be reduced to Zero percent.</p>	<p>Chrome ore lumps, which falls under Chapter 26 under Customs tariff head 26100090 are not available in India and industry has to depend on imports. Such ores are exempted completely from payment of CV Duty, but the Customs department is charging CV Duty even on lumpy ore. Since, the Ore imported by the industry is in the raw form it cannot be construed as concentrate.</p>
20.	<p><b>Need for ban on Mineral ore exports:</b></p>	<p>It is suggested that imposition of some restraints on export of chrome ore, which is in line with the concept of 'Make in India'.</p>	<p>Exporting scarce natural resource without value addition is short sighted and is going to expose the country to having to import value added products in the not too distant future. China is an appropriate example, which does not export any iron ore, despite being the largest producer of iron ore in the world. Logic being low Per Capita Reserve Ratio, for a large population, with significant developmental needs.</p> <p>India's deposit of chromite ore is a meager 1% of the global</p>

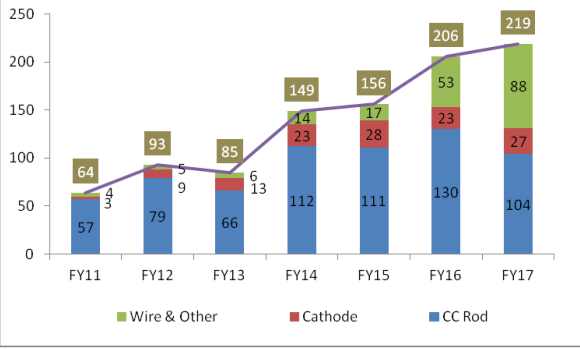
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			<p>chromite ore reserve. What is more alarming is the extremely low Per Capita Reserve Ratio and there is ample reason to preserve this resource for future generation, rather than deplete it through rampant exports.</p>
21.	<p><b>Inverted Duty</b></p>	<p>In these circumstances, it is requested to reduce basic import duty on Roasted Molybdenum concentrates under Chapter 2613.1000 and Molybdenum Ore Concentrates classified under Chapter 2613.9000 to NIL.</p> <p>We are gratified to note that this matter has been taken up by the Ministry of Commerce after concerted efforts by IFAPA for abolition of the inverted duty on Molybdenum.</p> <p>Minimum basic Import duty for Ferro Alloys into India should be kept at 10% irrespective of Free Trade Agreements.</p>	<p>Ferro Molybdenum attracts 5% basic Customs duty when imported. It is classified under chapter 7202.7000</p> <p>The raw material is Roasted Molybdenum concentrates. It attracts 2.5% basic Customs Duty and is classified under Chapter 2613.1000. It is the most basic raw material as it is an Ore Concentrate. Also other raw material is Molybdenum Ore Concentrate attracting similar duty and classified under Chapter 2613.9000.</p> <p>The differential duty structure is hardly 2.5% between the raw material and finished good. As there is no mine in India for Molybdenum ore; it has to be imported. Hence it is imperative that after import of the most basic goods i.e., Ores; the Indian industry can only survive if there is a higher differential import duty on the finished product.</p> <p>Moreover, countries such as Korea and other countries have Free Trade Agreements with India whereby the basic import duty is reduced for Ferro Molybdenum from 5% to 2.5 %. The Free Trade Agreement with Korea has a clause whereby from 01-01-2016; the basic import duty on Ferro Molybdenum will be 1.25% and it will further reduce to NIL from 01-01-2017. So from 01-01-2016, there will be an inverted duty structure.</p> <p>From 1-1-16 the basic import duty on roasted Molybdenum concentrate will be 2.5% - this is the raw material. And the finished good – Ferro Molybdenum of Korean origin will have basic import duty of 1.25%. Hence it is cheaper to import finished product rather than raw material.</p> <p>Similar trade agreements in place such as Asean Free Trade Agreement also allow for lower import duty products to be imported into India from Asian countries such as Thailand;</p>



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			Malaysia
<b>COPPER SECTOR</b>			
22.	<b>Reduce import duty on Copper Concentrate – to address increasing imports from FTA countries</b>	Given the non-availability of copper concentrate in India, there is no economic rationale to continue with import duty on copper concentrate and hence our submission is to reduce customs duty on Copper Concentrate (HS 2603) from 2.5% to Nil. This will enable us to have a level playing field and compete with imports of Value Added Copper products, from FTA countries under Nil duty.	<p>Primary refined copper industry in India plays a critical role in ensuring adequate availability of the strategic metal “Copper” in India despite the fact that country is lacking mineral copper resources.</p> <p>The Copper Industry has been for quite some time representing to the Government for a favorable consideration with respect to reduction in Custom Duty on Copper Concentrate, the basic raw material used by the Copper Industry.</p> <p>Therefore, in this connection we would like to make the following submissions:</p> <ul style="list-style-type: none"> <li>(a) The Indian Copper Industry is under a compulsion to source a major quantity of Copper Concentrate through imports on account of its limited availability in India. The domestic availability is merely 4% of the total requirement.</li> <li>(b) As already stated, import of copper concentrate by the domestic copper industry is inevitable; and it is a starting point of the value chain for bulk of the industry. Hence, it makes immense economic sense to exempt it from customs duty.</li> <li>(c) Major sources of concentrate procurement into India are already threatened due to various exports restrictions from supplier countries. Frequent change in export policies by countries like Indonesia is adding to supply chain uncertainties, thus leading to added cost and resultant financial constraints.</li> <li>(d) Major copper producing countries like China, Japan, Korea, EU are already importing copper concentrate at zero duty.</li> <li>(e) Reduction of import duty on concentrate can bring cost competitiveness of domestic smelters to compete against import of finished products coming with zero duty from countries under <b>FTAs</b>.</li> </ul>

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			<p>(f) The reduction of custom duty on the basic input material (Copper concentrate) to NIL will give a fillip to the domestic copper industry.</p> <p>In order to have security of supplies and to develop economies of scale, the industry will have to reach out to more reliable &amp; distant supply sources like Canada, Peru, Brazil and Australia etc. This will require a big support from the Government in form of reduction in custom duty, considering the competition with Chinese, Japanese, Korea &amp; European smelters.</p> <p><b>Background</b></p> <p>We request the Government to focus on primarily following areas in the forthcoming Union Budget for the year 2018-19:</p> <ul style="list-style-type: none"> <li>(a) Exempting copper concentrate (HS 2603.0000) from basic customs duty to maintain the viability of the industry, given the impact of imports of value added copper products from FTA countries.</li> <li>(b) Make stricter operating norms for the scrap recyclers, so as to abide by environment friendly process. Besides, environmental cess can be imposed on the imported scrap based on the Copper content of scrap – lower copper content calling for higher cess and Import duty on imported scrap to increase from 5% to 7%.</li> <li>(c) Restore export incentive on Copper Cathode, Copper Rods and copper wire under HS Code 74031100, 74081190 &amp; 74081990 respectively.</li> <li>(d) Phospho-gypsum (both granulated and powdered form) supplied in 50 Kg bags and clearly marked with “For Agricultural Purposes Only” should be classified as fertilizer with 5% of GST (2.5% CGST+2.5%SGST)</li> <li>(e) Withdrawal of exemption for Copper Rod used in Jelly Filled Telecom Cables.</li> </ul> <p>Indian primary refined copper industry has a combined capacity of 10 lakh tonnes of refined copper per annum and capital employed of nearly Rs. 10000 crores. Hindustan Copper was the pioneer in the industry and has integrated facilities. The other two producers in the private sector are custom smelters which process imported copper concentrate.</p>

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			<p>Copper is a critical input for various industries like power, defence, telecommunications, housing &amp; construction, infrastructure and transportation that includes Auto &amp; Railway; and a key indicator of a country's economic development. India has huge potential for increasing copper consumption with the current per capita consumption in India (about 0.5 kg) being just 6% of that in China. However, the raw material of the industry, i.e. copper concentrate, is hardly available in India, making it imperative for the country to either import refined copper or import copper concentrate.</p> <p>Against this structural backdrop, the private players set up custom copper smelters in India in the mid-nineties based on import of copper concentrate. Viable operation in such a conversion-based industry needs large-scale plants. Thus, the production capacity was increased ahead the current market size in India. The capacities were set up with world-class technologies having environment performance at par with the best in the world.</p> <p>In year 2016-17, domestic demand was around 6.5 lakh tonnes against a domestic production of 8.0lakhs. About 2.19 lakh tonnes of refined copper was imported during the year, resulting in an exportable surplus of 5.81 lakh tonnes. Domestic producers had to export more than half of their production, due to cheaper imports.</p> <p>Imports from countries with FTAs, have seen increasing trend over the past few years whereas the domestic manufacturers are facing the disadvantage of inverted duty structure vis-à-vis imports from FTA countries.</p>

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			 <p>In last 6 years i.e. since FY11, market share of imports has grown from 14% to 34% in FY17 whereas the Indian primary producers' market share has been continuously in downward trend. In real terms, <b>the imports have increased from 64KT in FY11 to 219KT in FY17 @ CAGR- 28%</b></p>
23.	<b>Streamline Copper Scrap recycling process</b>	<p>Make stricter operating norms for the scrap recyclers, so as to abide by environment friendly process. Besides, environmental cess can be imposed on the imported scrap based on the Copper content of scrap – lower copper content calling for higher cess. Import duty on imported scrap to increase from 5% to 7%.</p> <p>2.3 Restoration of Export Incentive – 2%</p> <p>The new foreign</p>	<p>As per study by ICAI (International Copper Association India) in 2016, Copper scrap processing by registered recyclers in India accounts for about 57% of the market and <u>balance quantity by unregistered ones.</u></p> <p>Study says that 23% of copper scraps consumed in India are from import sources and 77% is of domestic generated scrap. Further, 24% of copper downstream production comes from secondary market and India imported 55 kt of copper scrap in FY16.</p> <p><b>a. To address quality &amp; Safety aspects in scrap usage</b></p> <p>There are concerns on quality and safety aspects on copper scrap usage in various applications. Contamination owing to lack of standards and quality inspections on metal scrap contents have serious ramifications on end products. e.g. electrical products made from metal scrap have lower conductivity leading to electricity losses, heat generated lead to safety aspects in end use sectors like house hold electrical goods &amp; appliances, industrial electrical equipments, Automobile &amp; other transportation and infrastructure.</p> <p>Unregistered / Unorganized scrap processing units lack of advance processing technologies / facilities hence discharge effluents in the surrounding environment causing air, water and</p>

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		<p>trade policy announced effective from 1<sup>st</sup> April 2015 has removed export incentive scheme- MLFPS (Market Linked Focused Products Scheme) and has introduced a new policy called Merchandise Export from India Scheme (MEIS). The foreign trade policy has 15 criteria based on which new policy is announced.</p>	<p>soil contamination.</p> <p>Our submission is to make stricter operating norms for recycling of copper scrap for safety and protect domestic environment. Scrap transactions should be brought under stricter control of regulatory bodies to prevent revenue loss to government for possible evasion of duties and taxes by unregistered scrap recyclers. Environmental cess can be imposed on the scrap processed based on the Copper content of scrap – lower copper content calling for higher cess.</p> <p><b>b. To increase import duty on copper scrap from 5% to 7.5%</b></p> <p>Countries like China have indicated their intent to reduce the use of imported scrap within country by banning import of specific grades of copper scrap. In this connection should also be restricting import of scrap and suggest the increase of custom duty from 5% to 7% on copper scrap.</p>						
24.	<p><b>Refined Copper fits in the criteria for MEIS Scheme</b></p>	<p>Reinstate the 2% export incentive which was there till 31<sup>st</sup> March 2015 under the new scheme, namely MEIS on Copper Cathode, Rods &amp; Copper wire HS Code 74031100, 74081190 &amp; 74081990 respectively.</p>	<p>As per the document issued by the Ministry of Commerce &amp; Industry, titled “<b>Highlights of the Foreign Trade Policy 2015-20</b>”, the DGFT selected certain category of products for incentive under MEIS. The Copper Cathode and rods fit under major criteria as mentioned below:-</p> <table border="1" data-bbox="708 1413 1502 1967"> <thead> <tr> <th data-bbox="708 1413 938 1629">Relevant Annexure No., Para No. &amp; Page No.</th> <th data-bbox="938 1413 1239 1629">Policy Criteria for MEIS</th> <th data-bbox="1239 1413 1502 1629">Relevance to Copper Cathode &amp; Rods</th> </tr> </thead> <tbody> <tr> <td data-bbox="708 1629 938 1967">Annexure 1, Para B, page No. 20,</td> <td data-bbox="938 1629 1239 1967">Higher level of support to be granted to ➤ Industrial products from potential winning</td> <td data-bbox="1239 1629 1502 1967">Industry exports approx. Rs.12000 crores and has an export earning potential of Rs.15000 crores.</td> </tr> </tbody> </table>	Relevant Annexure No., Para No. & Page No.	Policy Criteria for MEIS	Relevance to Copper Cathode & Rods	Annexure 1, Para B, page No. 20,	Higher level of support to be granted to ➤ Industrial products from potential winning	Industry exports approx. Rs.12000 crores and has an export earning potential of Rs.15000 crores.
Relevant Annexure No., Para No. & Page No.	Policy Criteria for MEIS	Relevance to Copper Cathode & Rods							
Annexure 1, Para B, page No. 20,	Higher level of support to be granted to ➤ Industrial products from potential winning	Industry exports approx. Rs.12000 crores and has an export earning potential of Rs.15000 crores.							

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				Sectors, ➤ High tech products with high exports earning potential.	
			Annexure 1, Para F, Page No. 21	Support to major markets with certain products categories such as Iron, Steel and base metal products.	Copper Cathodes & Rods are part of the base metal.
			Annexure 1, Para H, Page No. 22	Participation in global value chain of intermediate goods. These goods become input in the manufacturing of other countries and with strengthen backward manufacturing linkages which are vital for India's participation in global value chain.	Copper Cathodes & Rods are intermediary products which are part of global value chain and also strengthen India's manufacturing linkages with downstream Industries.
			Annexure 1, Para I, Page No. 23	Technology based products requiring high skill technology – intensive manufacturing	Plants based on state of the art green technologies with global scales requiring higher skills.
<p>It is clearly seen from the above table that Copper Cathodes &amp; rods fit under the Policy criteria adopted by the DGFT for selection of products under MEIS scheme and the said products are inadvertently left out. Much of the copper export was to</p>					

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			China because of the MLFPS incentive and was helping the country contain the bilateral trade deficit with China. The removal of export incentives for copper cathodes and rods has brought in a business discontinuity for the copper sector.
<b>FOREIGN TRADE POLICY</b>			
25.	<b>Export Obligation Discharge Certificate (EODC)</b>	In order to reduce avoidable paperwork and delays in cancellation of Bonds / LUT it is recommended that while issuing the EODC the DGFT should declare in the Certificate that export obligation is fulfilled and all bonds/LUT executed in respect of the specific Authorisation (with Ministry of Finance / Ministry of Commerce) stand cancelled with immediate effect. This information can be updated in the on-line system to ensure that the corresponding records maintained by Customs Department are updated as well.	<p>EODC is required to be submitted to the Customs Department upon fulfilment of export obligation against pre-export licences (like Advance Licence, DFIA, EPCG and so on). Without submission of the EODC to the Customs authorities the Bond / Letter of Undertaking (LUT) furnished by the exporter is not cancelled.</p> <p>As per current provisions of law the EODC has to be obtained from the jurisdictional DGFT office and submitted to the Customs authorities thereafter. Only upon verification of the EODC the Customs authorities cancel the Bond / LUT executed by exporter at the time of import. The entire process is time consuming and at times the cancellation of the Bond / LUT remains pending even after a decade of issuance of the EODC by the DGFT.</p>

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26.	<b>Jurisdictional Authority (RA) for filing of claims for exports benefits under Foreign Trade Policy</b>	<p>It is strongly recommended that to ease the administrative complexities and avoid costs that accrue to a multi-locational exporter on account of having to deal with one single RA in respect of exports from various locations across the country, appropriate clarifications are issued to the effect that exporters whose operations are geographically spread across the country can continue to opt for different jurisdictional RAs, depending on administrative and logistical convenience, on the basis the Branch Addresses and Branch Codes endorsed on the IEC. Going forward, the Handbook of Procedures may also be amended</p>	<p>Para 3.06 of the Handbook of Procedures, 2015-20 (as amended vide Public Notice No. 58/2015-20 dated 10th February 2017) states that an “Applicant shall have option to choose Jurisdictional RA on the basis of Corporate Office/ Registered Office/Head Office / Branch Office address endorsed on IEC for submitting application/applications under MEIS and SEIS.”</p> <p>Organisations that have multiple businesses and / or operate out of multiple locations across the country are, thus, unable to opt for different jurisdictional RAs on the basis of the Branch Office Code endorsed on the IEC. This cause substantial administrative inconvenience and costs and complexity in dealing with exports/imports from multiple ports and ICDs located across the country.</p> <p>Presumably, the said procedure was laid down to preclude the possibility of any misuse or adoption of any unethical practice on the part of the exporter. However, it would be important to note that the export incentives are allowed only after realisation of the export proceeds and on submission of Bank Realisation Certificates confirming the same. Any claim for incentives against exports can only be filed on fulfilment of all the procedural requirements.</p> <p>In this context it would also be relevant to note that the implementation of ‘e-BRC’ by the DGFT has led to significant operational and strategic benefits in terms of reduction in transaction costs and time, facilitating tracking of foreign exchange realisations and elimination of fraudulent transactions which could lead to leakages. Electronic transmission of Shipping Bills and electronic linkage of foreign exchange realisation through e-BRC ensures that there is no duplication of export benefits. Thus, there is no scope for any prejudice to the DGFT if a Branch / Division of a Company is permitted to make applications before different RAs having territorial jurisdiction over the Branch / Division location. In fact, the technological initiatives taken by the DGFT enables cross referencing of exporter records across multiple RAs and there is little or no scope for adoption of any unethical practice by any</p>



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		appropriately to this effect.	<p>unscrupulous member of the export community.</p> <p>Moreover, the endeavour of the Government and various Ministries has been to simplify rules with the objective of enabling ease of doing business in India. Allowing Branch / Division of a Company to apply for export incentives before RAs having territorial jurisdiction helps achieve this objective, particularly when there are adequate safeguards to protect the interests of revenue through several checks and balances for prevention of fraudulent claims.</p>
27.	<b>Import Of Second Hand Capital Goods Under Zero Duty EPCG Scheme</b>	Imported second hand capital goods should be permitted under Zero duty EPCG scheme. If this cannot be done for all industry for any reason, specific permission should be given to capital intensive industries like Paper/Paperboards .	<p>Till year 2012, there was no restriction under Foreign Trade Policy (FTP) for import of second hand capital goods. However, in Para 5.1 of the FTP announced in 2013 (Annual Review), a new clause (e) has been added which reads, “Second hand capital goods shall not be permitted to be imported under EPCG Scheme”. This clause has been continued in the new FTP 2015-20. This restriction has increased costs significantly for projects set-up capital intensive industries like paper/paperboards.</p> <p>The Indian Paper/Paperboard industry has made significant capital investments to ramp-up capacities for meeting domestic requirements. This sector is highly capital intensive with lower profit margins. During the last 15 years, many of the paper/paperboard mills in India have installed imported second hand machines purchased from Western Countries such as Europe, USA, Canada and Finland and made significant capital investments to rebuild such machines to match international quality standards and for improving longevity of such machines. After these machines were rebuilt, their operating efficiencies have improved significantly. Hence, permitting import of second hand capital goods will help this sector to lower capital investments and improve return on capital employed.</p>
28.	<b>Import of Paper/ Paperboards under ASEAN and</b>	To ensure that the capital already invested and proposed to be invested in further	The current demand for paper & paperboards in the Indian market is 14.4 Million Tons Per Annum (TPA). This constitutes about 3.6% of the global demand and is expected to increase to around 20 Million TPA by 2020 (at a CAGR of around 7%).

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	<b>other FTAs</b>	<p>capacity creation by Paper and Paperboards industry in India is safeguarded, incentivised and grown further, the following recommendations, may be considered favourably:</p> <p>i. Customs duty to be re-imposed, as soon as possible on import of paper and paperboards from ASEAN countries, at rates similar to those applicable on imports from non-ASEAN countries.</p> <p>ii. In order to provide a level playing field to the domestic industry, Paper and Paperboard products should be</p>	<p>Whilst the domestic industry has already made significant capital investments to ramp-up capacities, the gestation period is long and the economic viability of the investments are impacted significantly by availability and cost of raw materials and other inputs. Even as the industry is grappling with the issue of producing paper and paperboards at competitive costs, the problem has been exacerbated by the Government's policy of extending preferential tariff treatment to paper and paperboards under the FTAs and other bilateral and multi-lateral trade agreements and pacts.</p> <p>India has signed Free Trade Agreements (FTA) with ASEAN where import duties on most of the paper and paperboards is being progressively reduced i.e., from a base rate of 10% has come down to 7.5% (1/1/10), to 5% (1/1/11), to 2.5% (1/1/13) and to Nil rate from 01.01.2014.</p> <p>The conventional markets for China have been the USA and EU. In both these markets anti-dumping/anti-subsidy tariffs have been imposed for import of paper/paperboards from China to protect their domestic industries. Further, the economic slowdown in developed economies and export dependant economies like ASEAN countries has led to severe excess capacity of Paper/Paperboard in paperboard manufacturing countries. Taking advantage of the low Customs Duty rates, these countries find India as an attractive outlet for diverting their excess inventory. There is substantial increase in import of paper/paperboards from ASEAN and China by a CAGR of around 39% and 14% respectively. Imports into India will accelerate further in view of higher capacity creation in China and ASEAN duty moving to Nil rate from 1.1.2014. Due to Nil rate of customs duty on import of paper and paperboards from ASEAN countries, the revenue loss to Indian Government is around Rs. 80 Crores per annum (based on imports under chapter 48 during the year 2015-2016).</p> <p>Increased import of paper and paperboard has resulted in adverse impact on revenue collection of the Government, exporting of domestic jobs to the countries from where</p>

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		<p>kept in the Negative List (i.e., no preferential treatment) while reviewing the existing FTAs and formulating new FTAs.</p>	<p>paper/paperboard is exported in to the country and on the economic viability of many paper mills in India.</p> <p>Domestic industry has invested huge amounts in the recent past to upgrade and implement clean technology, product quality, farm forestry etc., and more investments are in the pipe line. Such large investments cannot and should not be jeopardized by allowing easy/concessional imports.</p>
<b>PULP, PAPER AND PAPERBOARDS</b>			
<b>29.</b>	<b>Policy Framework And Regulations To Encourage Investments In Renewable Energy Sources</b>	<p>The aforesaid issues lead to escalation of project costs as well as under recovery of operating costs. In order to create an enabling environment that is conducive to investment by industry in renewable energy sources, the following strategic and tactical initiatives are recommended:</p> <p>i. A Central Renewable Energy Policy, defining specific norms for enabling renewable</p>	<p>Renewable Energy Sources like wind, hydro and solar are sustainable sources of energy and provide many environmental benefits over traditional sources of energy like fossil fuels. Given the green credentials of renewable energy sources, Government of India has been encouraging investments in this sector by industry.</p> <p>Unfortunately, in the current scenario the investments in renewable energy sources are regulated primarily at a State level and the numerous problems are, invariably, faced by industry. Some of these problems are:</p> <ol style="list-style-type: none"> <li>i. Approvals and clearances from multiple departments and authorities resulting in delays in project commissioning. For example, in Andhra Pradesh clearances are required from New and Renewable Energy Development Corporation of Andhra Pradesh (NEDCAP), State Transmission Utility (TRANSCO), and Chief Electrical Inspector to Government (CEIG), Power and Telecom Coordination Committee (PTCC) and so on.</li> <li>ii. Lack of uniform interpretation and implementation of policy and regulations across different approving authorities and agencies, selective exemption from transmission and wheeling charges in some States.</li> <li>iii. Restrictions on banking of solar-energy and wind-energy</li> <li>iv. Compensation for banked energy limited to a certain percentage of Average Pooled Power Cost as a result of</li> </ol>

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
		<p>energy adoption through concessional/p referential Open Access charges, wheeling policy, wheeling charges, banking policies and interstate wheeling norms.</p> <p>ii. The Policy to be made binding on the State Electricity authorities and the policies and regulations framed by the States relating to renewable energy to be within the parameters of the Central Policy.</p> <p>iii. The Central Policy to specifically mandate (a) longer term Open Access agreements (say 20 years),</p>	<p>which the cost recovery is considerable lower than even the cost of generation – resulting, effectively, in penalising banking of power.</p>

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
		<p>instead of annual agreements prevalent in most States, (b) removal or reduction of minimum connected load restriction (of 1 MW in many States to say, 500KW) for Wheeling of Energy to allow for smaller establishments to benefit from renewable energy.</p> <p>iv. Setting up of renewable energy parks or zones in different parts of the country and fast-tracking of all approvals for those locations including that for land and environment. For renewable projects located in other areas preferential treatment for granting all</p>	

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
		<p>approvals, including land and environment clearances, through a single-window system.</p> <p>v. Exemption from transmission charges for all types of renewable energy sources.</p> <p>vi. Exemptions from deviation charges for generators of renewable energy since these are non-firm sources unlike conventional sources like coal and oil.</p> <p>vii. Permission for year-round banking of renewable energy.</p> <p>viii. Adoption of smart grid management to make the transmission system more efficient.</p>	

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
		<p>Acceleration of private sector participation in transmission and distribution through a BOOT (Build Own Operate Transfer) model to overcome the current infrastructural gap and inefficiencies. Priority for 100% power evacuation to renewable energy sources like wind, solar and mini-hydel plants.</p> <p><b>ix.</b> Stricter enforcement of Renewable Power Obligations (RPOs) by appropriate amendment in the Electricity Act 2003. This would ensure that the Renewable Energy Power Obligations</p>	

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
		<p>(RPOs) are strictly enforced for distribution licensees, which in turn, would increase the demand for Renewable energy and for RECs (Renewable Energy Certificates).</p>	
30.	<p><b>Renewable Energy Certificates (REC) – Biomass Boilers</b></p>	<p>It is recommended to amend CERC guidelines on Renewable Energy Certificates, to qualify a boiler as renewable energy boiler,</p> <ul style="list-style-type: none"> <li>i. If it is run with at least 50% of fuel from renewable sources.</li> <li>ii. even if the boiler is connected to multiple turbo generators.</li> </ul>	<p>As per existing Central Electricity Regulatory Commission (CERC) guidelines on Renewable Energy Certificates, a boiler is treated as renewable energy boiler only if</p> <ul style="list-style-type: none"> <li>i. it is run with at least 85% (on annual basis) fuel from renewable sources.</li> <li>ii. the boiler is connected to a dedicated steam turbo generator.</li> </ul> <p>Conventionally, Pulp and Paper industries generate significant quantity of biomass in the form of waste wood etc. and also procure biomass from market. The availability of procured biomass from the market is subjected to market variations and changes in their source operations, where biomass is generated.</p> <p>Pulp and paper mills have multiple boilers connected to multiple turbo generators to optimally operate the plant for maximization of captive consumption. It is practically not viable to have a boiler to connect only to a dedicated turbo generator.</p> <p>The Renewable Energy Act 2015, which is in draft stage proposes that any generating company establishing a coal and lignite based thermal generating station, shall also be required to establish a Renewable Energy Generation capacity as prescribed by the Central Government from time to time which</p>



S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
			shall not be less than five per cent of the thermal power installed capacity. This requirement will put an additional burden on the industry, if the CERC's guidelines on renewal energy boiler are not amended as recommended below
31.	<b>Plantations For Pulp And Paper Mills On Degraded Waste Lands</b>	<p>i. Appropriate policy changes are put in place to enable allotment of degraded waste lands to the pulp, paper and paperboards industry for development through afforestation.</p> <p>ii. Raw material cost is a major source of uncompetitiveness for the Indian Paper Industry. Hence, till such time as plantations on degraded land becomes a reality, to support Domestic players, custom duty on import of Paper and Paperboards</p>	<p>Against the recorded forest cover of 23%, the 2012 Forest Survey of India places the actual forest cover at only 21.06% - a long way from the Planning Commission's set target of 33% forest cover by the year 2012. This Plan target has been continued for the next Plan period 2013-17. In fact, Land sat imagery in several studies shows that real forest (crown density of 40%) cover is only around 12%. Similar to the Forest Policy of 1988 the National Forest Policy 2016 (Draft) also aims to bring 33% of land mass of India under tree cover. To achieve this objective nearly 43 million ha of land is to be afforested which includes development of degraded forest lands to the extent of 15 million ha. This requires investment of more than 10 Billion USD over a period of 10 years.</p> <p>The Government alone cannot muster the required financial and managerial resources. Therefore private/public partnership is the way forward to achieve the above targets. The industry has been making representations to Government to allot about 1.2 million ha of waste land to meet its raw material requirements on sustainable and continuous basis and to make it globally competitive.</p> <p>The above measure would result in several benefits, including:</p> <ul style="list-style-type: none"> <li>i. Employment generation – 77.4 million man days per annum</li> <li>ii. Pulp wood yield – 15 million metric tonnes per annum – resulting in meeting sustainable fibre requirement of pulp and paper industry</li> <li>iii. Savings of foreign exchange to a tune of around US \$ 2 Billion per year</li> <li>iv. Increase in forest cover resulting in carbon sequestration and other attendant benefits.</li> </ul> <p>In August 2015 the Ministry of Environment, Forest and Climate Change (MoEF &amp;CC) issued draft guidelines for participation of</p>

S. N.	ISSUE	SUGGESTIONS	JUSTIFICATION
		<p>should be charged at standard rate of Customs Duty.</p> <p>iii. The Ministry should expedite obtaining clearance of cabinet note from other ministries and issue final guidelines in this regard.</p>	<p>private sector in Afforestation of Degraded Forests. MoEF &amp;CC also conveyed a Stakeholder's Consultative Meeting on Guidelines, under the chairmanship of Director General of Forest and Special Secretary, on 1<sup>st</sup> Oct 2015 at New Delhi. Subsequent to Representations made by various stakeholders, Draft Guidelines were issued by MoEF &amp;CC for public consultation. It is understood that the draft Cabinet Note is under consideration.</p>

## **OTHER POLICY ISSUES**

### **1. Improve Productivity Of Land**

- (a) The productivity of the farmer is severely hampered by lack of fertiliser. Timely availability is a crying need of the Indian farmer. Farmers require different types of fertilisers at different points of time depending on the soil characteristics, crop conditions and weather situation. Currently licences are required at the distribution point for marketing of fertilisers under the Fertiliser Control Order. For a national level company engaged in marketing of fertilisers, this is difficult to obtain from multiple District Directors of Agriculture. If this licence to store, market and distribute fertilisers is obtained on a central basis, it would facilitate the movement of the fertilisers and the farmers will be immensely benefited.
- (b) Quality seed would be the single most item which can have a positive impact on the productivity of the farmer. Currently subsidy is available to public sector companies engaged in seed production. Private companies engaged in production of quality foundation and certified seed can be provided the same subsidy also. It will provide a massive boost to the use of quality seeds in the country and will have a huge multiplier effect on the farm productivity.

### **2. Enhance Quality Of Rural Infrastructure**

Under the subsidy scheme for “Development/Strengthening of Agricultural Marketing Infrastructure, Grading and Standardisation”, the maximum subsidy possible is limited to an amount of Rs 50 lakhs. This discourages quality infrastructure development. In order to increase creation of quality rural infrastructure, this **cap on the subsidy amount can be removed** so as to encourage faster development and also build infrastructure with economics of scale, which will increase the competitiveness of agri commodities business.

Similarly, under the *Grameen Bhandaran Yojana (GBY)*, 15% of the project cost was provided as subsidy. **It is suggested that cap on the subsidy amount and the project cost be removed in such schemes.**

Besides, the subsidy under GBY is available only to those projects which have been sanctioned before 31<sup>st</sup> March 2014. It is recommended that this **time line be extended by at least 5 years which will provide adequate time to private sector participants to build quality infrastructure** to meet the growing needs of the country’s agriculture sector.

Moreover, this scheme is allowable only if a loan is taken to set up this infrastructure. In other words it is credit linked. This forces private players to use borrowed funds even when it is not required by them and thus increases the cost of the project and makes it unviable. Consequently, to encourage all private players to participate in agricultural infrastructure the requirement to make it credit linked should be removed.

It is important to disseminate Agricultural Good Practices (AGP) to the farmers in a timely and efficient manner. In this process, the digital infrastructure being put up by some companies can play a stellar role. However it is important to have relevant content on AGP in a digitised manner. The agricultural universities and research institutes can be provided subsidies/incentives to digitise the content on AGP to facilitate smooth dissemination of best practices.

### **3. Incentives to States for amending APMC Acts**

Agribusiness and its marketing is dominated by the public sector via more than 2000 agricultural produce and marketing committees (APMCs), controlling more than 7,000 regulated markets (under the APMC Act) that operate as public sector monopolies over agricultural produce. Currently, about 60% of agriculture produce is transacted through long and fragmented marketing chains and inefficient retail systems (i.e., traditional value chains) that prevent (i) competition from the private sector, (ii) investment in value addition, (iii) emergence of modern integrated value chains (IVCs), and (iv) technology innovation. Farmer access to markets is also hampered by poor roads, rudimentary market infrastructure and excessive regulation. The outcome of public monopoly is post-harvest losses of up to 40% of total farm-gate production, low value addition and producers receiving a low share of the final consumer price. Continued low margins give producers no incentive to risk diversification, to innovate or to invest into production resulting in low productivity.

In order to address the issues and encourage investments from private sector in this area, the Central Government has published a model Agriculture Produce Marketing Committee (APMC) Act. The State Governments have been urged to amend their respective APMC Acts. However, many states have not amended their APMC Acts. Even where they have amended, they are not in the lines of the Model Act. Hence there is a need provide a set of strong incentives and disincentives (in the form of grants, loans, additional share of revenues, penalties) to the State Governments to amend their APMC Acts on the lines of the Central Model Act.

It is recommended that the Central Government provide a set of strong incentives and disincentives to the State Governments (in the form of grants, loans, additional share of revenues, penalties) to amend their APMC Acts on the lines of the Central Model Act.

### **4. Regulatory Framework For Increasing Agricultural Productivity Through Effective Linkages Between The Private Sector And Farmers**

The Training & Visit system of agricultural extension used by the Government in 1970s brought Green Revolution in India. That was in the era of food shortages and higher production was the only objective. With the increasing per capita incomes and growing awareness, today's consumers are seeking better quality and more variety in their food products. They prefer safe products that offer hygiene, nutrition and convenience. Consequently, the objective of extension cannot be limited to familiarizing the farmers with the latest crop production techniques and must include post-harvest practices, crop diversification, on-farm value addition, production & price risk management, marketing etc. In this backdrop, the private sector, with its presence across the value chain is in a

position to play a pivotal role in agri-extension and complement Government's efforts. The agri-extension work undertaken by several private sector players can get further scaled and accelerated, if the following regulatory hurdles are removed.

- i. **APMC Act:** The APMC Acts of various States are of 1960s vintage and prohibits any transaction between farmer and the farm produce buyer outside the Mandi. This restricts the relationship between the farmers and the agri-business enterprises to a transactional mode only. The Model APMC Act recommended by the Central Government in 2003, that permits direct marketing and contract farming, is not adopted by many States. Where adopted, the States have placed a number of restrictions, making the changes ineffective. In Uttar Pradesh, e.g., the APMC license is valid for one year at a time. In some years, the licenses are renewed much after the peak marketing season is over, making them redundant. In Rajasthan, the buying points have to be far away from Mandis / town limits, making them unviable.
- ii. **Essential Commodities Act:** After the re-imposition of limits on stock & movement of several agri-commodities (especially grains, oilseeds and pulses), the industry had to scale down purchases from farmers. This again gives rise to similar vicious cycle mentioned in the FC(R)A section above.
- iii. **Licenses for Input Sales:** Along with extension work, it is necessary to coordinate timely delivery of farm inputs (seed, nutrients, crop protection chemicals etc.) for facilitating adoption of best practices on farm. Each of these inputs is governed by a separate Act, and every point of sale needs to take a separate license under each Act. This system was alright for a single location agri-input dealer, but is a cumbersome procedure for companies working across geographies. This system may be replaced by a single State-wide license with every point of sale included in a list.

Further, financial incentives recommended below will accelerate investments by the private sector in agricultural extension work, and contribute to increasing farm productivity:

- i. Capital Investments made in setting up the required agricultural extension infrastructure (e.g. training centers, demonstration farms, information technology equipment and software, nurseries, green houses, rain water harvesting structures etc.) must be accorded the same status as "infrastructure" under Section 80 IA of the Income Tax Act and similar financial benefits be extended.
- ii. Revenue Expenditure incurred in the process of providing agricultural extension services must be entitled to similar benefits as are given to the expenditure on R&D under Section 35(2AB) of the Income Tax Act. Recognising this, the Finance Bill 2012 inserted a new provision (Section 35CCC) in the Income-tax Act to allow weighted deduction of 150% of the expenditure incurred on notified agricultural extension projects. This deduction must be raised to 200% in line with the R&D expenditure.

- iii. Mandi Tax / Cess collected by the APMC Committee on the purchase of agri produce by agri-business companies from farmers is intended to be used on improving the agricultural marketing and production infrastructure. Companies investing in agricultural extension must be exempted from payment of Mandi Tax / Cess equivalent to the amount so invested.
- iv. Currently, the distribution of subsidized seed is handled by the State and Cooperative sector. This is creating a distortion in the market, by making identical seed sold by Private sector uncompetitive. The seed and other input subsidies should not discriminate between public and private sector distributors.
- v. Transfer a part of the Government spends on agri-extension directly to the farmers as Cash (in the form of Conditional Cash Transfers, or Entitlement Vouchers), which they could use across any extension service provider, based on quality of service.
- vi. ICAR (Indian Council of Agricultural Research) must digitize the crop management know-how in a web-portal that is usable by all companies involved in agricultural extension. It will not only enable easy access to the knowledge, but also ensure dissemination of approved technologies.
- vii. Agricultural Universities and *Krishi Vigyan Kendras* must be encouraged to share their physical infrastructure with the private sector for training their agriculture extension staff, unnecessary investments in creating additional infrastructure will be eliminated.

## **5. AGRI-BUSINESS**

It is essential that an integrated holistic view of the agriculture value chain is taken towards providing the necessary fillip to the stagnating agricultural growth. This requires a joint participatory approach from all concerned stakeholders including the farmers, input vendors, traders, processors and the government. The union budget can be a very effective catalyst by laying down a comprehensive policy framework and providing a tremendous thrust through appropriate fiscal benefits and closely monitor the action plans.

An enabling policy framework with attractive fiscal incentives can be provided to attract private investments in the rural economy. Private investment in agriculture and allied activities can provide the necessary boost to the already committed government spends and can have a multiplier effect in the rural economy. The under noted suggestions and recommendations are being made in the aforesaid context.

### **Risk Mitigation**

#### **A. Strengthening of Futures Market In India**

In recent times, exchanges, with respect to certain agri commodities have taken several actions like postponement of opening new futures contract, imposition of special margins in certain commodities, delisting of certain contracts with abrupt settlement etc. While such actions may cool down the

market in the short term, in the long term they will be detrimental to the maturity of the Indian commodity exchanges and stability of the institutions.

The following recommendations are being made in order to enhance the stability of the markets:

- a) Introduce long term futures contract with 12-month price visibility.
- b) Increase the delivery centers in production States.
- c) Warehouse receipt financing.
- d) Encourage participation of hedgers.

**Annexure- A**

**ZINC INDUSTRY**

Table 1: Zinc Market Balance, Import & Export

<b>Zinc Ingots Market in India (MT)</b>	<b>2014-15</b>		<b>2015-16</b>		<b>2016-17</b>	
	<b>Volume (MT)</b>	<b>Value (USD mio)</b>	<b>Volume (MT)</b>	<b>Value (USD mio)</b>	<b>Volume (MT)</b>	<b>Value (USD mio)</b>
Total Domestic Production (a)	741620	1773	758,938	1441	671,988	1591
Market Demand for primary zinc (b)	622956	1490	664,135	1262	655,000	1551
Zinc Market Balance/Ideal Residual Exports (c=a-b)	118,664	284	94,803	180	16,988	40
Actual Export (d)	237480	580	249,695	475	219,194	519
Excess Export due to Imports (d-c)	126633	315	154,892	294	202,206	479
Zinc ingots Import in India	119999	287	137,762	287	210,633	499

Source: DGCIS EXIM data bank DGFT

Table 2: Zinc Import Trends- Korea

<b>Zinc Ingots (HS code 790111, 790112, 790120 )</b>	<b>2011-12</b>	<b>2015-16</b>	<b>2016-17</b>
Zinc Ingot Import in India (MT)	71,283	161,153	221,119
Zinc Alloy Import in India (MT)	8,476	24,371	25,102
<b>Zinc Ingot Import from Korea (MT)</b>	<b>10,201</b>	<b>86,268</b>	<b>150,103</b>
<b>Zinc Alloy Import from Korea (MT)</b>	<b>3,758</b>	<b>15,313</b>	<b>19,704</b>

Source: DGCIS EXIM data bank DGFT



**Annexure- B**

**Lead Industry**

**Table 1: Lead ingots market and export import data**

<b>Lead Ingots Market in India</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Domestic market primary lead production	127143	151,576	144,294
Domestic market primary Lead Requirement	222686	206,856	251,039
Lead ingots import in India (MT)	114772	108,521	106,745
Lead ingots import in India (USD mio)	255	209	214
Lead ingots export from India (MT)	28497	63,935	20,940
Lead ingots export from India (USD mio)	117	123	42

Source: DGCIS & industry EXIM sources

**Table 2 : Import trend of Lead ingots from Korea**

<b>Lead Ingots (HS Code – 780110)</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Lead Ingot Import from Korea (MT)	31312	39,708	49,202
Lead Ingot Import from Korea (USD mio)	72	75	99

Source: DGCI&S, EXIM data bank DGFT

**Table 3: Lead Scrap import data**

<b>HS code 780200</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Qty (MT)	60731	58,725	66,653
Value (USD mio)	113	90	107

Source: DGCIS, EXIM data bank DGFT

**Table 4 : Lead Concentrate Production**

<b>Lead Concentrate (HS Code 260700)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Supply -Domestic Production (MT)	104000	148000	138000	160000
Demand - Smelter Production Capacity (MT)	185000	185000	185000	185000

Source: Wood Mackenzie