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Confederation of Indian Industry

ASCON Industry Survey

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Contents

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EXECUTIVE SUMMARY

The CII ASCON Industry Survey which tracks the growth of the industrial sector through the responses collected from sectoral industry associations reveals moderate improvements in growth trends in terms of production in July-September FY18 over the corresponding quarter a year ago.

Out of the sectoral responses received for 82 sectors, the Survey analysis reveals that while the share of sectors registering 'Excellent' growth (>20%) has come down significantly as compared to year ago, the share of sectors registering 'High' (10-20%) has gone up substantially. At the same time, the share of sectors witnessing 'Moderate' (0-10%) growth has shown improvement and also the share of sectors witnessing 'Low' growth (<0%) has also come down substantially as compared to the corresponding period a year ago. The current sectoral growth trends reveal that while most of the sectors still continue to be concentrated in the 'Moderate' and 'High' growth categories, the pace of de-growth has come down. The current trends indicate towards a firming of recovery in the economy, albeit, at a modest pace.

A further analysis of the growth trends at the aggregated level with industry being classified into broad segments in terms of performance of production viz 'Excellent' and 'High' (above 10 percent) on one hand and 'Moderate' and 'Low' (below 10 percent) on the other, also point towards improvements in the growth trends in the surveyed quarter. The share of sectors registering growth greater than 10 percent has inched up to 29.3 percent in Q2FY18 as compared to 26.8 percent in Q2FY17. At the same time, the share of sectors registering growth less than 10 percent has marginally come down to 70.7 percent in the surveyed quarter as against 73.2 percent recorded in the same period a year ago.

Given the fact that nearly 70 percent of the sectors surveyed still remain below 10 percent growth levels indicate that the pace of recovery continues to be muted in the surveyed quarter.

A further analysis of the growth trends reveals that growth continues to come from some sectors mainly on the back of support from government's capex expenditure. In the primary and intermediate goods categories, a large number of sectors have reported growth numbers falling under the 'Moderate' to 'Low' growth category. For the capital goods and engineering sectors, government orders continue to be the key driver. Some sectors like textile machinery have also benefitted with the pickup in global growth

and exports. In the capital and engineering goods sectors, subsectors like machine tools, textile machinery, earth moving and construction equipment, Transmission Line Towers, Power transformer etc. have reported a fall within the 'High' growth category in the current quarter. Other sectors like motor starters, power cables - PVC & XLPE, capacitors (LT & HT) cables, energy meters, relay/ control panel etc. have reported moderate growth.

On the services front, freight cargo by air and rail registered strong performance. The tourism sector was supported by a firm growth of foreign tourist arrivals and air passenger traffic.

On the consumption front, high frequency indicators reflecting consumption activity such as sale of passenger cars and two-wheelers showed continued robustness in demand. The auto industry witnessed a buoyant demand in September leading up to the festive season. Demand for trucks rose due to stricter implementation of loading restrictions and expected rollout of the e-way bill under GST. Commercial vehicles and tractors, which power India's economic activity, have reported robust sales during September, indicating a likely pick-up in construction, trade and agriculture sectors, among others.

On a sequential quarter-on-quarter basis also, the Survey reveals minor improvements in the growth trends in Q2FY18 as compared to Q1FY18. According to the Survey, while the sectors reporting 'Excellent' growth have come down marginally, there has been a substantial increase in the share of the sectors reporting 'High' growth. Also, at the same time, while the share of sectors reporting 'Moderate' has shown a marginal decline, the share of sectors witnessing 'Low' growth has remained at the same levels in Q2FY18 as in Q1FY18.

On the growth trends at the aggregated level also, the Survey results indicate moderate improvements in the growth trends suggesting a gradual recovery underway. According to the Survey, the share of sectors registering growth greater than 10 percent has risen to 29.3 percent in Q2FY18 as compared to 25.6 percent in Q1FY18. At the same time, the share of sectors registering growth less than 10 percent has slightly come down to 70.7 percent in the surveyed quarter as against 74.4 percent in the previous quarter.

On the capacity utilization front, in line with the on ground experience, the capacity utilization trends have continued to remain weak. According to the Survey, the majority of respondents (nearly 3/5th) have reported capacity utilization to be in the range of 50-75 percent for the surveyed quarter, 1/4th of the respondents have reported capacity utilization to be in the range of 75-100 percent whereas 1/6th of respondents below 50 percent in the surveyed sectors.

Going forward, the Survey results point towards improvements in capacity utilization in the October-December quarter. Nearly 40 percent of the respondents have reported capacity utilization to be in the range of 75-100 percent which distinctly higher from the 25 percent responses reported for July–September quarter.

With respect to issues and concerns impacting growth 'Cost and Availability of Finance' (66.7 %), 'High Tax Burden' (62.5%), 'Competition from Imports' (50.0%), 'Transport and Infrastructure bottlenecks' (50%) and 'Regulatory Burden' (50%) have been reported as the top most issues facing the industry.

On the industry outlook for the next six months, overall trends point toward moderate improvement in the business situation in the next two quarters. 75 percent of respondents expect the overall business situation to improve moderately in the next six months. On the new orders, new investments and stalled projects situation the respondents expect either the situation to improve or remain the same. What is noteworthy is that there are no expectations of deterioration with respect to new orders, stalled projects and new investments for the next two quarters. The current expectations on the investment outlook point towards an impending recovery in the investment cycle in the coming quarters.

Overall, going forward the results point toward improvements in growth trends. Growth is expected to strengthen in the coming quarters supported by consumption both in rural and urban fronts aided by the 7th Pay Commission allowances, rising real incomes amidst low interest rates post de-monetization and moderation in inflation. Further, complete acclimatization to the GST architecture and continued support from global growth would also aid growth in the coming quarters. The current expectations on the investment outlook for the next two months also points towards an impending recovery investment cycle in the coming quarters.

To further push the pace of recovery, the respondents to the CII ASCON survey have suggested putting a strong focus on infrastructure growth. Fast tracking large projects, elevating public CapEx in highways, low cost housing, rural and urban infrastructure power (transmission and distribution). Along with continuing with the business environment reforms especially w.r.t availability of power, logistics costs and trading and exports, the respondents have also emphasized on improving the regulatory and business environment for SMEs. With respect to GST, while the rates remain structurally positive on various sectors, some of the concerns highlighted by the Industry include subsuming of 'Alcohol', 'Petroleum' and real estate under GST, Allowing C-form set off for other goods not covered under GST etc.

ECONOMIC SITUATION

The latest incoming data releases point towards a continued but slow recovery both at domestic and global fronts. On the global front, a synchronized improvement in growth momentum has been witnessed across major advanced economies.

Starting with the US, macro data continued to be largely positive with robust Q3 GDP at 3.0 percent along with upbeat nonfarm private employment and increase in manufacturing confidence. Similarly, economic data from the Eurozone was also robust. Q3 GDP expanded at a faster pace, rising by 0.6 per cent. Likewise, UK's GDP grew faster than expected in Q3 FY18 at 0.4 percent up from 0.3 percent in the second quarter mainly led by services. The UK's manufacturing also boosted the economy with an improved performance after a weak second quarter. Among emerging and developing economies, China's economy grew by 6.8 percent in the third quarter, down slightly on the 6.9 percent in the June quarter. In a validation of strengthening global recovery, IMF in its latest World Economic Outlook upgraded its global growth forecast for 2017 to 3.6 percent y-on-y, up from 3.5 percent earlier.

On the domestic front, most incremental lead indicators released over the past four months fared better, indicating continued normalization of macro conditions post GST. PMI for the manufacturing sector remained in the expansion zone for the third consecutive month in October. PMI for services sector which had contracted over July-August, soon after GST implementation, remained in the expansion territory for the second month at 51.7 in October from 50.7 in September. Owing to the expansion in services, the slowdown in manufacturing notwithstanding, the composite PMI increased marginally to 51.3 in October from 51.1 in September.

Performance of core sector witnessed recovery with sequential pickup in annual growth over the last 4 months (June –September) with September 2017 performance to be best seen so far this fiscal year. The growth of eight sub-industries surged to 5.2 percent y-on-y in September compared to 4.4 percent in August 2017, but in line with 5.3 percent recorded in September last year. However, despite the sequential pickup in the growth over the last 4 months, the average core sector growth at 3.3 percent in H1FY18 continues to run below H1FY17 at 5.4 percent. The momentum in the core sector in FY18 has been driven by the three mining related sectors of – Coal, Crude oil and Natural Gas, all of which have bettered performance substantially.

Buoyed by early festive cheer India's industrial production (IIP) recorded its strongest reading for the month of August. IIP expanded by 4.3 percent y-on-y in August as

compared to 0.9 percent rise in July, suggesting the start of normalization of production schedules as supply chains resume restocking post GST led liquidation of inventories in the previous two months. Capital goods moved in the expansionary zone after contracting for the previous 4 months whereas consumer durable production recorded its highest reading in 9 months.

Non-food credit growth improved to a 5-month high in September 2017 of 6.1 percent. On a sectoral basis, growth was driven by services and personal loans segments. Growth in personal loan rose at the highest pace since last year's festive season (i.e. October 2016) by 16.8 percent y-on-y versus 15.7 percent in August 2017. Growth was driven by Housing and 'Others' categories, both of which have been growing at close to 30 percent y-on-y. Giving a fillip to personal loans, banks have been quicker to transmit lower policy rates to retail segment, via lower home and auto loan rates. Within services, growth was driven by "Trade" on both wholesale and retail front, underlining the pick-up in demand ahead of the festive season.

On the external front, export growth moved to double digits in August and September after remaining subdued in the previous two months. On a cumulative basis, April-October period, exports were down 0.17% in dollar terms at $154.9 billion, as against exports of $155.2 billion over the same period last year.

The rupee has continued to strengthen on the back of robust capital inflows. A strong rupee has hurt exports growth, which in turn have remained subdued this fiscal so far. Imports, on the other hand, continue to grow unabated primarily aided by a surge in oil imports.

Retail inflation, after accelerating for two consecutive months in July and August 2017 remained static in September with a marginal drop in the food prices. The cumulative CPI inflation was lower at 2.59% in April-September FY2018 compared with 5.41% in April-September FY2017.

According to RBI's (Reserve Bank of India) 38th Round of Order Books, Inventories and Capacity Utilisation Survey (OBICUS) which provides a snapshot of demand conditions in the manufacturing sector, the capacity utilization stood at 71.2 per cent for the quarter April-June 2017.

The Centre's financial situation improved marginally, but remained precarious in the first six months of the fiscal as its spending outpaced its receipts by a wide margin. This is a marginal improvement from the August data when fiscal deficit touched 96.1 per cent of the full-year target, but it remains high compared to April-September 2016 when it was at 83.9 per cent of the Budget Estimate. On the revenue front, Tax revenue was robust and better than last fiscal, amounting to 44.2 per cent of the Budget Estimate. However, non-tax revenue, was just 28 per cent of the full-year target. On the other hand, non-debt capital receipts clocked 32 percent of BE, compared to 19.1 percent over the same period last year aided by disinvestment of Government's equity holding and strategic disinvestment.

Adding to the positive data releases, World Bank announced an improvement in India's position by 30 notches to a rank of 100 for the first time on its Ease of Doing Business parameters. Significant traction on the sub-indices of - resolving insolvency, paying taxes, protecting minority investors, getting credit and enforcing contracts parameter led the improvement. However, GST, India's largest tax reform, which was implemented after June-17 i.e. cut-off period for this year ranking considerations, is likely to propel India's rank higher up in the next year, with consolidation of indirect taxes.

CII ASCON INDUSTRY SURVEY RESULTS

2.1 Methodology

Confederation of Indian Industry (CII) conducted the CII ASCON Industry Survey to ascertain the performance of industry during July-September (estimated) (Q2) FY18 against the corresponding quarter, July-September(Q2) FY17.The Survey was conducted from mid-September to mid - October 2017 .

The Survey is based on the feedback collected from industry associations the collectively represent more than 35,000. The companies covered in the Survey represent a wide spectrum of sectors including basic goods, intermediate goods, capital goods, consumer durables and non-durables and services. The analysis for the surveyed quarter is based on the sectoral responses received for 82 sectors.

Based on varying rates of growth at the sectoral level, the responses have been segregated in the following four broad categories: (i) 'Excellent' (growth in excess of 20%), (ii) 'High' (growth in the range of 10-20%), (iii) 'Moderate' (growth in the range of 0-10%) and (iv) 'Low' (growth less than 0%).

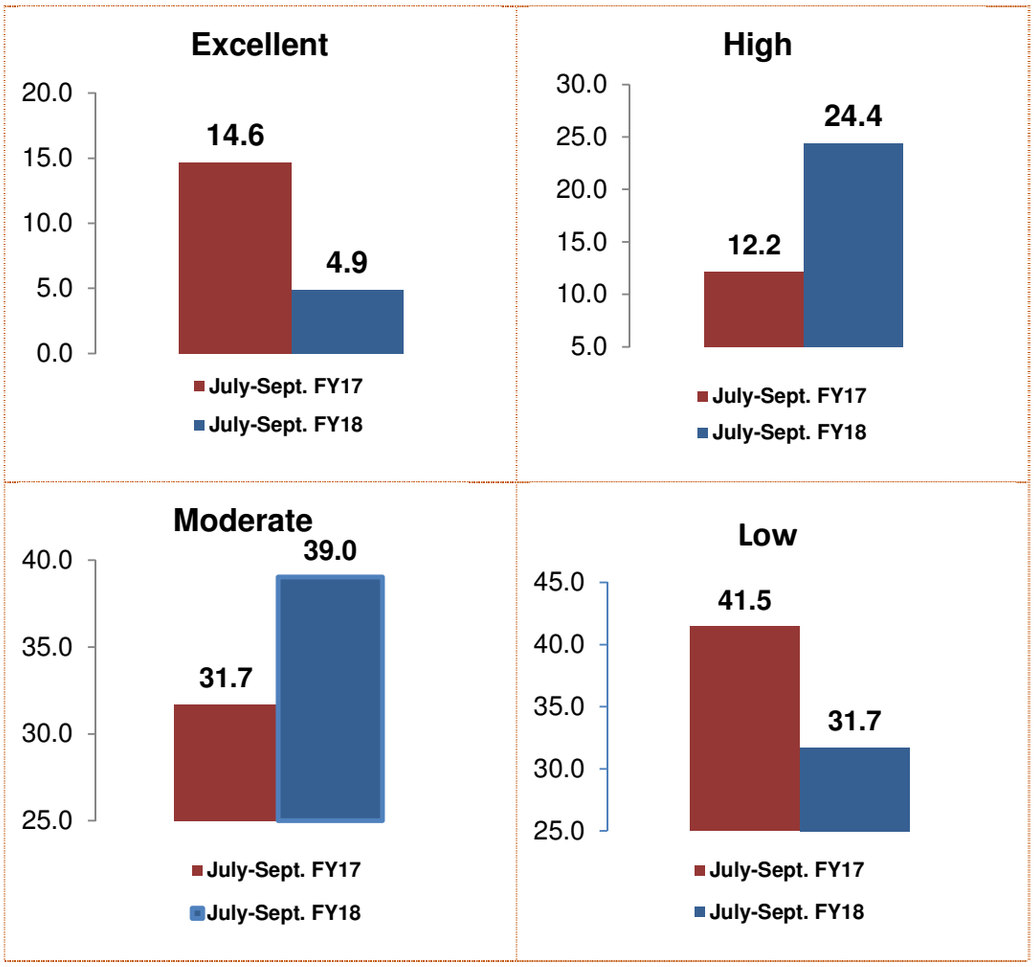
2.2 Industry growth performance during July-September FY18 over July-September FY17

The results of the latest CII ASCON Industry Survey for July-September FY18 points towards moderate improvements in growth trends in terms of production over the corresponding quarter a year ago.

Out of the sectoral responses received for 82 sectors, the survey analysis reveals that while the share of sectors registering 'Excellent' growth (>20%) has come down significantly as compared to year ago, the share of sectors registering 'High' (10-20%) has gone up substantially. At the same time while the share of sectors witnessing 'Moderate' (0-10%) growth has shown improvement the share of sectors witnessing 'Low' growth (<0%) has also come down substantially as compared to the corresponding period a year ago. The current sectoral growth trends reveal that while most of the sectors still continue to be concentrated 'Moderate' category and 'High' growth category, the pace of de-growth has come down. The current trends points towards firming of recovery in the economy albeit on a slow pace.

According to the Survey, the share of sectors witnessing 'Excellent' growth has shrunk to 4.9 percent (4 out of 82) as against 14.6 percent (12 out of 82) recorded in the same quarter a year ago whereas the share of sectors witnessing 'High' growth has increased substantially recording a share of 24.4 percent (20 out of 82) from 12.2 percent (10 out of 82) in the same quarter previous year. The share of sectors witnessing 'Moderate' growth has registered a share of 39.0 percent (32 out of 82) in the July-September FY18 from 31.7 percent (26 out of 82) same period a year ago. The number of sectors recording 'Low' growth has come down to 31.7 percent (26 out of 82) as compared to 41.5 percent (34 out of 82) same period previous year.

Figure 2.1: Industry performance Q2 FY18 over Q2 FY17 (in %)



A further analysis of the growth trends at the aggregated level with industry being classified into broad segments in terms of performance of production viz 'Excellent' and 'High' (above 10 percent) on one hand and 'Moderate' and 'Low' (below 10 percent) on the other, also point towards improvements in the growth trends in the surveyed quarter. The share of sectors registering growth greater than 10 percent has inched up to 29.3 percent in Q2FY18 as compared to 26.8 percent in Q2FY17. At the same time, the share of sectors registering growth less than 10 percent has marginally come

down to 70.7 percent in the surveyed quarter as against 73.2 percent recorded in the same period a year ago.

Given the fact that nearly 70 percent of the sectors surveyed still remain below 10 percent growth levels indicate that the pace of recovery continues to be on the slow track in the surveyed quarter.

A further detailed analysis of the sectors reveals that the growth continues to come from some sectors like Road construction, power transmission etc on the back of support from the government capex expenditure. In the primary and intermediate goods categories, a large number of sectors have reported growth numbers falling under the 'Moderate' to 'Low' growth category.

Table 2.1: Sectors which have shown positive movement in growth % during Q2 FY18 viz–a –viz Q2FY 17

(Up by 0-10%)	(Up by 10-20%)	(Up by >20%)
• Ball & Roller Bearings • Beer • Crude Oil • Electricity • Glass Products • Goods Carriers (LCVs) • Hydro Electric • Limestone • LPG • Machine Tools • MG Variety / Poster • Motor cycles/Step-Throughs • Motors (LT) • Natural Gas • NP/NPK • Polyester Filament Yarn • Power Cables - PVC & XLPE • Railways • Tea • Transmission Line Towers	• Coal • Distribution Transformer • Imported Oils • Iron Ore • Lignite • Motors (HT) • Packaging Paper/Board • Passenger Carrier (3W) • Relay/ Control Panel • Textile Machinery • Tractors	• Bauxite • Capacitors (LT & HT) • Energy Meters • Goods Carriers (M&HCVs) • Groundnut Oil • Other Oil • Rape/Mustard • Soya • Specialty Paper • Sunflower

Government orders were the key driver for capital goods and engineering companies. In the capital and engineering goods sectors, subsectors like machine tools, textile machinery, earth moving and construction equipment, Transmission Line Towers, Power transformer etc. have reported a fall in the 'High' growth category in the

current quarter. Other sectors like motor starters, power cables - PVC & XLPE, capacitors (LT & HT) cables, energy meters, relay/ control panel etc have reported moderate growth.

On the services front, freight cargo by air and railways registered a strong performance. The tourism sector was supported by a firm growth of foreign tourist arrivals and air passenger traffic.

On the consumption front, high frequency indicators reflecting consumption activity such as sale of passenger cars and two-wheelers showed continued robustness in demand. The auto industry witnessed a buoyant demand in September leading up to the festive season. Demand for trucks rose due to stricter implementation of loading restrictions and expected rollout of the e-way bill under GST. Commercial vehicles and tractors, which power India's economic activity, have reported robust sales during September, indicating a likely pick-up in construction, trade and agriculture sectors, among others.

Table 2.2: Sectors which have shown downward movement in growth % during Q2 FY18 viz–a –viz Q2FY 17

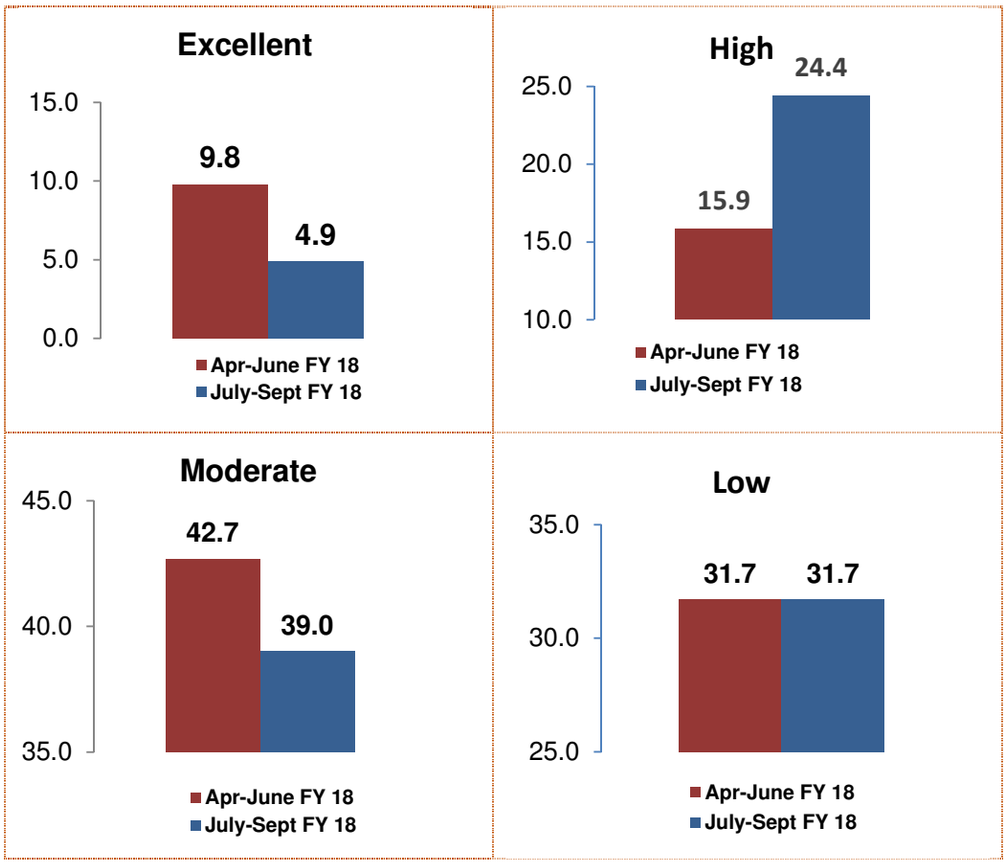
(Down by 0-10%)	(Down by 10-20%)	(Down by >20%)
• Bitumen • Cement • Circuit Breakers (HT) • DAP • Fertilizer • Foreign Tourist Arrivals • Industrial Gases • Passenger Cars • Petroleum Refinery • Polyurethane • Power Transformer • Sponge Iron • SSP • Steel • Steel re rollers • Thermal • Urea • Vans	• ATF • Chromite • Construction Equipment Machinery • Diesel • Goods Carrier (3W) • Kerosene • LDO • Lubes • Nylon Filament Yarn • Passenger Carriers (M&HCVs) • Polyester Staple Fibre • Scooter/Scooterettee • Writing and Printing Paper	• Circuit Breakers (LT) • Mopeds • Motor Starters • Naphta • Newsprint • Nuclear • Passenger Carriers (LCVs) • Petrol • Sugar • Utility Vehicles(UVs)

2.3 Industry growth performance during Q2FY18 over Q1FY18

A further analysis of growth trends on a sequential quarter-on-quarter basis also reveals a minor improvements in the growth trends in Q2FY18 as compared to Q1FY18. According to the Survey, while the sectors reporting 'Excellent' growth have come down marginally, there has been a substantial increase in the share of the sectors reporting 'High' growth. Also while the share of sectors reporting 'Moderate' has shown a marginal decline the share of sectors witnessing 'Low' growth has remained at the same levels in Q2FY18 as in Q1FY18.

The share of sectors reporting 'Excellent' growth has come down to 4.9 percent (4 out of 82) in Q2FY18 from 9.8 percent (8 out of 82) witnessed in Q1FY18, whereas the share of sectors reporting 'High' growth has slightly increased to 24.4 percent (20 out of 82) in Q2FY18 from 15.9 percent (13 out of 82) in Q1FY18. On the other hand, while the share of sectors recording 'Moderate' growth has come down to 39.0 percent (32 out of 82 sectors) as compared to 42.7 percent (35 out of 82 sectors) in Q1FY18, the numbers of sectors recording 'Low' growth has remained at the same levels registering 31.7 percent share (26 out of 82 sectors) in both the quarters.

Figure 2.2: Industry performance in Q2 FY18 over Q1 FY18 (in %)

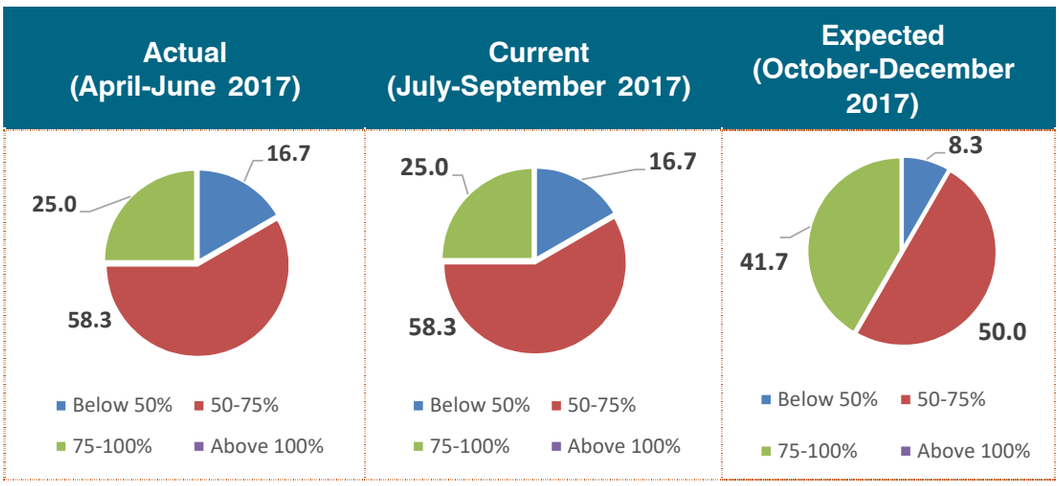


Further, on the growth trends at the aggregated level, with industry being classified into broad segments in terms of performance of production viz 'Excellent' and 'High' (above 10 percent) and 'Moderate' and 'Low' (below 10 percent) the Survey results on the quarter–on–quarter basis also reveals minor improvements in growth trends in Q2FY18 as compared Q1FY18 suggesting a gradual recovery underway. The share of sectors registering growth greater than 10 percent has risen to 29.3 percent in Q2FY18 as compared to 25.6 percent in Q1FY18. At the same time, the share of sectors registering growth less than 10 percent has slightly come down to 70.7 percent in the surveyed quarter as against 74.4 percent in the previous quarter. This further reveals that the recovery continues to be on the slow track.

2.4 Capacity Utilization

In line with the on ground experience, indicating slow private capex the capacity utilization trends have continued to remain weak. According to the survey majority of respondents (nearly 3/5th) have reported capacity utilization to be in the range of 50-75 percent for the surveyed quarter (figure 2.3), 1/4th of the respondents have reported capacity utilization to be in the range of 75-100 percent whereas 1/6th of respondents have reported it to be below 50 percent for the surveyed sectors.

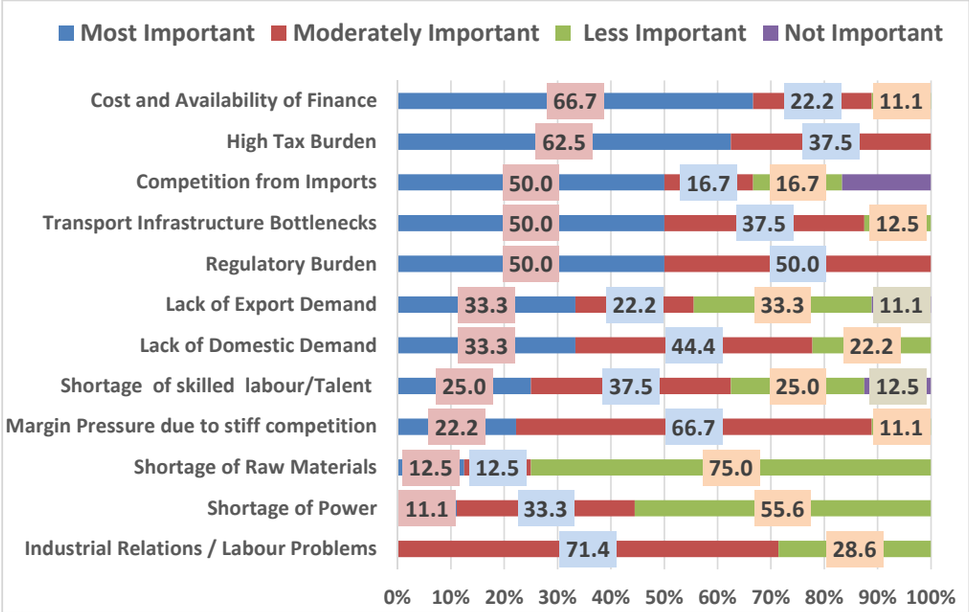
Figure 2.3: Capacity Utilization trends



Going forward, the Survey results point towards improvements in capacity utilization in the October-December quarter. Nearly 40 percent of the respondents have reported the capacity utilization to be in the range of 75-100 percent which is distinctly higher from the 25 percent responses reported for July–September quarter.

With respect to issues and concerns impacting growth 'Cost and Availability of Finance' (66.7 %), 'High Tax Burden' (62.5%), 'Competition from Imports' (50.0%), 'Transport and Infrastructure bottlenecks' (50%) and 'Regulatory Burden' (50%) have been reported as the top most issues facing the industry.

Figure 2.4: Issues and Constraints

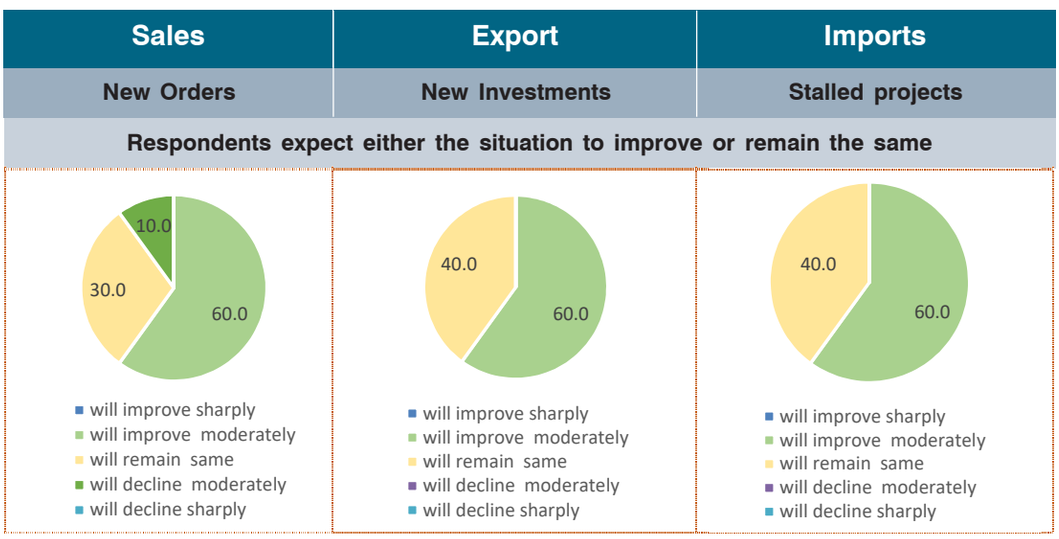


At the same time, majority of the respondents (71.1%) have reported labour problems as the 'moderately important' issue before the industry.

2.5 Outlook for next six months

On the industry outlook for the next six months, overall trends point towards moderate improvement in the business situation in the next two quarters. 3/4th of the respondents expect the overall business situation to improve moderately in the next six months. On the new orders, new investments and stalled projects situation the respondents expect either the situation to improve or remain the same. What is noteworthy is that there are no expectations of deterioration with respect to new orders, stalled projects and

Figure 2.5: Investment outlook for the next six months

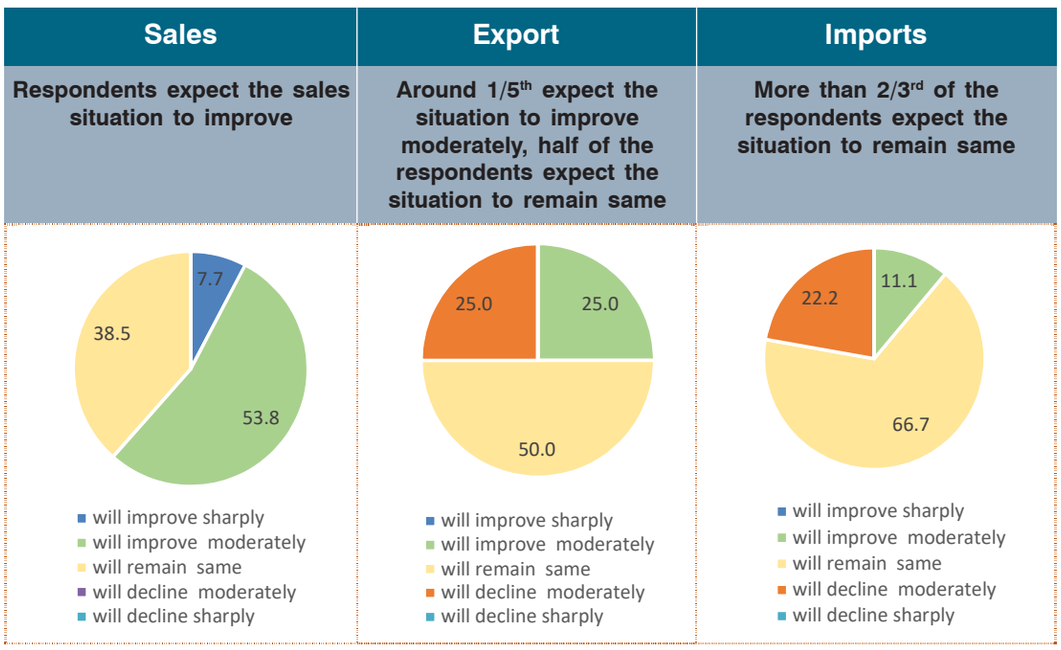


new investments for the next two quarters. The current expectations on the investment outlook for the next two months points towards an impending recovery investment cycle in the coming quarters.

On the new orders front, 60 percent of the respondents expect the situation to improve moderately whereas 10 percent of the respondents expect the situation to improve sharply. W.r.t. stalled projects, 2/3rd of the respondents expect the situation to improve moderately whereas 2/5th of respondents expect the situation to remain the same.

Similarly, on new investments front, the respondents either expect the situation to either improve or remain the same in the next two quarters. 2/3rd of the respondents expect the situation on new investments to improve moderately whereas 2/5th of respondents expect the situation to remain the same in the next six months.

Figure 2.6: Business outlook for the next six months



On the outlook on the business activity for the next two quarters, nearly 50 percent of the respondents expect moderate improvement on the sales front whereas nearly 40 percent expect the situation to remain the same, signaling modest support from consumption front in aiding recovery. On the situation on the exports front, majority of the respondents expect the situation to either improve moderately or remain the same. Nearly 1/4th of the respondents expect the situation to improve moderately, one half expect the situation to remain the same whereas one fourth expect the situation to decline moderately. The point to be noted is that the situation on the exports front has improved over the last one year. On the imports front also majority of the respondents expect the situation to remain the same.

Conclusion

Overall, going forward the results point towards improvements in growth trends. Growth is expected to strengthen in the coming quarters supported by consumption both in rural and urban fronts aided by the 7th Pay Commission allowances along with rising real incomes amidst low interest rates post de-monetization and moderation in inflation. Further, complete acclimatization to the GST architecture and continued support from global growth would also aid growth in the coming quarters. The current expectations on the investment outlook for the next two months also point towards an impending recovery investment cycle in the coming quarters.

INDUSTRY SUGGESTIONS

The current subdued growth trends warrant attention to continual structural reforms to ensure the necessary growth momentum. To further push the pace of recovery in economic and industrial growth, the respondents to the CII ASCON Industry Survey have suggested the following broad measures:

1. **Investment Revival**
   - Putting a strong focus on infrastructure growth. FastTrack large projects
   - Elevate Public CapEx in highways, low cost housing, rural and urban infrastructure power (transmission and distribution

2. **Business Environment reforms**
   - Ensure availability of quality power to the industry; Make open access hassle-free.
   - Reduce Logistics cost - Develop and promote coastal shipping and inland water transport; expedite action on reforms related to trade and business environment.
   - Provide ease of doing business for trading across borders as per international standards.

3. **Improve the regulatory and business environment for SMEs**
   - Introduce of a revised framework for MSME definitions based on the criteria of turnover
   - Access to finance, Encourage alternate sources of lending to MSMEs, Evolution of MSME specific ratings mechanisms to assess the credit worthiness of MSMEs
   - Ensure timely payments by PSUs/Government departments to MSMEs. Create an online receivables financing
   - Lower compliance burden and eliminate redundant paperwork through Building linkages between regulatory bodies and online submissions through single window systems

4. **Demand Creation**
   - Expedite implementation of the Public Procurement Policy; streamlining of various procurement policies at the state and local level should support in

bolstering domestic demand. Encourage States to expedite adoption of GeM e-marketplace for procurement.

5. **Promote Exports**

- Initiate a national standards mission for standardizing Indian products to make them more competitive; Harmonize Indian standards with world class standards for all export oriented items;
- Improve both physical connectivity and virtual connectivity both for domestic as well as to external markets, to scale up the linkages.
- Improve logistics competitiveness
- Address issues related to trade procedures and facilitation: implementation of 24 x 7 clearance of imports and exports; customs single window including for related agencies; EDI Issues; facilitating exports through e-commerce; common customs procedures in all ports.

6. **Provide level playing field with imports**

- Review FTAs; Correcting inverted duty structures on raw materials to make indigenous industry more competitive.

7. **Mitigate GST related challenges:**

Among the key points that may be addressed are –

- Allow C-form set off for other goods not covered under GST.
- Allow availing of input credit on various personal goods as well as motor vehicles that are used for business purposes.
- Need for a simple framework to be defined and instituted for claiming input credit. Also avoid frequent changes in rates.
- Expand coverage of GST to include electricity, oil and Gas, Alcohol and real estate at the earliest.
- Consider uniform tax rate across all value chain.
- Need for an effective redressal mechanism. A senior officer in MOF to be made nodal officer for guidance and redressal.

8. **Other Sector Specific Recommendations**

- **Alcohol Industry:** A pragmatic National Alcohol Policy; Tax rationalization by States.
- **Automobiles:** Need preferential trade deals in identified exports markets; Need long term policy roadmap for sustainable development of automotive industry.
- **Auto Component:**
- **Fertilizer:** Need for early disbursement of Fertilizer subsidy dues provided in the Union Budget; Rationalization of customs duty on fertilizer raw materials

to make indigenous industry more competitive; ensure adequate availability of natural gas from domestic sources.

- **ICTE manufacturing:** Incentives for ICTE manufacturing to unlock the underutilized /idle capacity and address existing disability
- **Leather and Footwear:** Creation of a world class "Central Footwear and Research Institute" at national level; creating a leather mark for Indian footwear and Leather products
- **Synthetic Fibers:** Raise custom Duty on import of cheap Manmade Fabric
- **Textile Machinery:** Limit the vintage of textile machinery to five years only for second hand import. Discourage import of second hand machinery and cheap and old technology machinery by providing necessary safeguard .measures; Introduce Technology Upgradation Fund Scheme for the Textile Engineering Industry; Fiscal support for Research and Development of Textile Engineering Industry; Separate Export Promotion Council for Textile Engineering Industry.

APPENDICES

Appendix A: Sample Coverage and Methodology

The CII ASCON Industry Survey, which tracks the growth of different industrial and services sectors of the economy, is based on the feedback collected from industry associations affiliated to CII. The industry associations encompass wide range of sectors from the domain of small, medium and large enterprises spread over the length and breadth of the country. Further, the Survey has enumerated responses from both public and private sectors. The companies covered in the Survey represent a wide spectrum of sectors including basic goods, intermediate goods, capital goods, consumer durables and non-durables and services sector. In most of the cases, these account for approximately 70% of the total industry output in the respective sectors.

The analysis is based on two quarters: July - September FY18 (estimated) and April – June FY18 (actual). The results of each quarter are compared with their corresponding values of previous year. The analysis for July - September FY 18 and for April – June FY 18 is based on 82 responses. The sample covers all sectors of the use-based classification and their summary is described in Table A.1

Table A1: Sample Coverage: Use-based classification of sectors

Sectors	April – June FY 18	April – June FY 18
Basic Goods	27	27
Intermediate Goods	13	13
Capital Goods	9	9
Consumer Durables	13	13
Consumer non-durables	18	18
Other including services	2	2
Total	82	82

Based on varying rates of growth of industrial production, the responses have been collected in the following four broad categories: (i) 'Excellent' (growth in excess of 20%), (ii) 'High' (growth in the range of 10-20%), (iii) 'Moderate' (growth in the range of 0-10%, and (iv) 'Low' (growth less than 0%).

Appendix B: Distribution of total sample sectors over different growth ranges

Table B1: Production (July - September FY18 over FY17)

Excellent	High	Moderate	Low
• Groundnut Oil • Rape/Mustard • Specialty Paper • Sunflower	• Ball & Roller Bearings • Construction Equipment Machinery • DAP (Di-ammonium phosphate) • Foreign Tourist Arrivals • Goods Carrier (3W) • Goods Carriers (LCVs) • Goods Carriers (M&HCVs) • Imported Oils • Iron Ore • Machine Tools • Motor cycles/Step-Throughs • Motors (HT) • Other Oil • Power Transformer • Scooter/Scooterettee • Textile Machinery • Tractors • Transmission Line Towers • Utility Vehicles(UVs) • Writing & Printing Paper	• Bauxite • Beer • Capacitors (LT & HT) • Chromite • Coal • Distribution Transformer • Electricity • Energy Meters • Glass Products • Industrial Gases • Lignite • Limestone • LPG • Motor Starters • Motors (LT) • Natural Gas • Nylon Filament Yarn • Packaging Paper / Board • Passenger Carrier (3W) • Petroleum Refinery • Polyester Filament Yarn • Polyurethane • Power Cables - PVC & XLPE • Railways - Tonnage • Relay/ Control Panel • Soya • Sponge Iron • Steel • Steel re rollers • Tea • Thermal • Vans	• ATF(Aviation turbine fuel) • Bitumen • Cement • Circuit Breakers (HT) • Circuit Breakers (LT) • Crude Oil • Diesel • Fertilizer • Hydro Electric • Kerosene • LDO (Light diesel oil) • Lubes • MG Variety / Poster • Mopeds • Naphtha • Newsprint • NP/NPK • Nuclear • Passenger Carriers (LCVs) • Passenger Carriers (M&HCVs) • Passenger Cars • Petrol • Polyester Staple Fiber • SSP(Single superphosphate) • Sugar • Urea

Table B2: Sales (July - September FY18 over FY17)

Excellent	High	Moderate	Low
• Goods Carriers (LCVs) • Goods Carriers (M&HCVs) • Tractors • Utility Vehicles(UVs)	• Machine Tools • Motorcycles /Step-Throughs • Scooter/Scooterettee • Textile Machinery • Tourism (Earnings)	• Ball & Roller Bearings • Beer • Goods Carrier (3W) • Industrial Gases • MOP (Muriate of Potash) • Passenger Carriers (3w) • Passenger Cars • Polyester Filament Yarn • POLYURETHAN • Sugar • Vans	• DAP (Di-ammonium phosphate) • Mopeds • NKP/NP • Nylon Filament Yarn • Passenger Carriers (LCVs) • Passenger Carriers (M&HCVs) • Polyester Staple Fiber • Railway (Freight Earnings) • SSP(Single superphosphate) • Urea

Table B3: Exports (July - September FY18 over FY17)

Excellent	High	Moderate	Low
• Goods Carrier (3W) • Nylon Filament Yarn • Rapeseed Meal • Rice-bran Extracts • Soybean Meal	• Ball & Roller Bearings • Motor cycles/Step-Throughs • Passenger Carrier (3W) • Polyester Staple Fiber • Scooter/Scooterettee	• Industrial Gas Plant • Machine Tools • Steel re rollers • Textile Machinery • Tractor	• Castor Seed Meal • Goods Carriers (LCVs) • Goods Carriers (M&HCVs) • Mopeds • Passenger Carriers (LCVs) • Passenger Carriers (M&HCVs) • Passenger Cars • Polyester Filament Yarn • Utility Vehicles(UVs) • Vans

– Notes –

Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has over 8,500 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 200,000 enterprises from around 250 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, healthcare, education, livelihood, diversity management, skill development, empowerment of women, and water, to name a few.

As a developmental institution working towards India's overall growth with a special focus on India@75 in 2022, the CII theme for 2017-18, **India@75: Inclusive. Ahead. Responsible** emphasizes Industry's role in partnering Government to accelerate India's growth and development. The focus will be on key enablers such as job creation; skill development and training; affirmative action; women parity; new models of development; sustainability; corporate social responsibility, governance and transparency.

With 67 offices, including 9 Centres of Excellence, in India, and 11 overseas offices in Australia, Bahrain, China, Egypt, France, Germany, Iran, Singapore, South Africa, UK, and USA, as well as institutional partnerships with 344 counterpart organizations in 129 countries, CII serves as a reference point for Indian industry and the international business community.

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