H. Eight Meeting of the NMCC held on 2nd April 2007.

Dr. V. Krishnamurthy Chairman, NMCC welcomed the participants and in his opening remarks mentioned briefly about the NMCC's on-going activities and the work done since the last meeting of the NMCC held on 18.12.2006. Appreciating the Members of the Industry Associations who had been immensely helpful in formation of goals and pursuit of activities of the NMCC and their implementation, he reiterated that over the months, the level of interaction between the NMCC and the Apex Industry Associations also with various other industrial associations across the country has substantially increased. Briefing the members on the several meetings and interactions that NMCC had with the Government on various policy issues relating to manufacturing, he informed that more and more administrative Ministries are have started to look up to the NMCC to solve their problems which involve issues relating to other Ministries and multi-layered decision making.

The Chairman, NMCC said that the PMO is being kept informed of developments and progress of various NMCC initiatives periodically and regularly through monthly news letter etc and the NMCC has been in constant interaction with the Planning Commission and made a presentation to the Deputy Chairman Planning Commission on the various initiatives in the context with the formulation of the 11th Five Year Plan recently. He said that the NMCC also continued its dialogue with Finance Minister not only on the formulation of Budget-2007-08 but also to bring to notice other critical areas affecting the manufacturing sector such as the credit to the SMEs and issues relating to taxes and duties etc. The NMCC also had meetings with the Ministry of Steel and Mines and other Stakeholders including the respective associations on the Mineral Policy. The NMCC advocates a balanced policy approach needs to taking into account the employment, export, and future growth requirements.

The Chairman, NMCC said that the active support and cooperation extended by the Members of the NMCC and the concerned Ministries is adding confidence to the NMCC activities which has also facilitated in enhancing the manufacturing growth rate from 8% to 11.5% in a short period of time. He requested the members to provide inputs so that the NMCC can take proper direction to move forward to operationalise the NSM. The country, having embarked on a 9 to 9.5 per cent economic growth trajectory, the manufacturing sector will accelerate the growth rate through demands side factors and in the current economic scenario, the demand pattern is adequate. The concern is the supply side and how to qualitatively generate supplies to cater to this growing demand which, by nature, should be internationally competitive.

The Chairman, NMCC dwelling upon the Six priority sectors identified by the HLCM, said that some progress have been made in areas like Textile, Leather & leather products, Food processing. He stated that leather & leather product is the thrust area, which has been showing unsatisfactory performance in recent times. The sector has crucial backward linkages with socio economic consequences. Efforts are being made to explore the recent tardy growth performance. The other generic issues include Skill Development and the problems of SMEs like, ensuring credit flow to the SMEs, service centers etc. He felt that still a lot needs to be done in the Capital goods industry sector. The producer segment and the user segment in this sector has varied conflicting interests, hence there is need for a coherent policy by taking care of both interests, keeping in view the potential that this area has. He said that the current efforts are not enough to exploit the enormous potential. He said that this is one of the areas the NMCC would be involved more actively in the near future

The Chairman, NMCC further highlighted the following;

- The non-availability of the funds in several priority areas is a matter of concern to the NMCC and the issue has been taken up at various levels in the Government.

- The Scarcity of skilled manpower to meet the growing demand is an area of concern to the NMCC and this issue has been a daunting area for the manufacturing sector.

- The NMCC has taken several initiatives to facilitate the supply of skills and talents including initiating a flagship programme, VLMP, the visionary leadership to the manufacturing sector in near future.

- Skill development at all level is another important area. At every stage there is skill shortage, at the level of operators (ITI), advanced high – tech level. Of the 12.8 million workforce added annually about 25 to 35 per cent are illiterate. About 25 per cent of the school drop outs are from below class 8th.

- The positive intervention of small and medium enterprises to upgrade the skills of the employees is actively required. Unless this happens, it will be difficult to fill the gulf in employment.

- A draft report on vocational education is being submitted to the Planning Commission by the Tarun Das Committee. The NMCC is involved in assessing the situation and is working to ensure adequate supply of skilled manpower with the appropriate quality for the manufacturing sector.

- As envisioned in the NSM, undertaking manufacturing competitiveness studies is a priority area of the NMCC. Research focus of the manufacturing studies will be at 3 levels viz. Macro level studies sectoral / industries level studies and firm level studies. Priority shall also be given to the areas of technology-skill development, manufacturing competitiveness index etc.

- Accordingly NMCC has invited expression of interest for Consultancy Services/ surveys/studies in identified sectors for enhancing manufacturing competitiveness. About 22 organizations of repute have expressed their Interest for undertaking the jobs for NMCC.

- The NMCC has been making efforts to strengthen data base of the manufacturing by actively involving the Apex Industry Associations and various research organizations engaged in manufacturing studies with the objective to provide a one stop centre to facilitate the manufacturing related information, studies/findings and other advanced and appropriate information regarding the manufacturing sector.

- In this effort the NMCC is working to establish a National Portal on manufacturing which will contain detailed information pertaining to the manufacturing sector in India including Government policies, incentives available etc. to the existing as well as potential entrepreneur. The studies which are to be undertaken will be value inputs for this portal.

- SME development is a priority to the NMCC. The NMCC is actively involved in expeditiously implementation of its ambitious National Manufacturing Competitiveness Programme (NMCP) and in this respect the Council is coordinating the process with the DC(SSI).

- The other generic issues include the problems of SMEs like, ensuring credit flow for the SMEs, service centers etc. the details regarding the progress made in implementation of the NMCP will be made updated by the MSME.

Shri V. Govindarajan, Member Secretary, NMCC in his introductory remarks said that the Chairman, NMCC in his brief introduction, had touched upon almost all the important points and has summed up what has happened in the past few months of the NMCC's engagements. He said that important issue was that how to keep the level of growth sustainable over a period of time at an average of 13% to 14%. He said that the issues like inflation, lack of investment needs to be tackled suitably.

Member Secretary mentioned that with regard to the Six thrust sub-sectors, identified for active policy intervention, each one of them have made ample progress and which also needs continuous monitoring. In the case of the Textiles and Garments, the major issues regarding investment in man-made fibre, extension of TUFs, and the SITP have been positively addressed in the budget 2007-08. In the Food Processing sector, an action plan is being formulated involving various Ministries.

On the third thrust area IT and hardware and Electronic sector, he mentioned that a draft report on IT and hardware by Shri R R Shah, Member Secretary Planning commission has been submitted and a copy has been received in the NMCC and the same is being processed. The sector has a potential of Rs. 360 billion by 2015 and is expected to grow 30 per cent. He said that there seems to be opportunity for more productive, fruitful interventions in this Sector adding where the import could be even more than import of petroleum products in the decade to come.

Member Secretary, NMCC mentioned that other priority area Leather industries, has shown a negative trend of growth trend over past several quarters which needs to be corrected. He said that, regarding the fourth area i.e. SME, with respect to the National Manufacturing Competitiveness Programme(NMCP), he said that the basic work has been completed and is now awaiting approvals by the Government to move to the next level.

Shri V. Govindarajan mentioned that another priority area is the issue of Skill Development, there is a huge skill deficit right from the top level to the lower level of skills. He said that there is a major gap between the market requirement of skilled personnel and their availability. He said that a Committee is also looking up into the lower level skill development and draft report is likely to be received soon.

The 8th Council meeting discussed the following 4 Agenda items.

The first agenda item: Progress of the work since the last meeting of the NMCC on December 18, 2006. The following are the highlights of the agenda item:

I. Manufacturing: The Growth Driver

1. The Manufacturing growth has accelerated during the last three years from 8.7 per cent to 9.1 per cent and further to 11.3 per cent respectively. The growth has been stimulated by strong fundamentals like augmented FDI, increased credit flow, export surge etc. Bank credit, year on year, had grown by 29.6 per cent as per data until February 2, 2007. The foreign exchange reserves have reached US$ 180 billion. The merchandise exports crossed the milestone of US$100 billion in 2005-06 and are expected to cross another milestone of US$125 billion by the end of the current fiscal. Foreign trade is growing at a rate more than twice the growth rate of GDP.

2. The quick estimates of Index of Industrial production (IIP) has reported that the cumulative growth rate of manufacturing during April-January, 2006-07 over the corresponding period of 2005-06 has been 11.9 per cent. The growth of sixteen of the seventeen industry groups (NIC-1987) has been positive during the month of January 2007 as compared to the corresponding month of the previous year. At the sectoral level, the Cotton Textiles, Textile products, Wood and Wood products, Rubber Plastic, Petroleum and Coal Products, Non-metallic Mineral products, Basic Metal and Alloy products, Machinery and Equipment other than Transport Equipment, Transport equipment and Parts and other manufacturing Industries have shown double digit growth rate during April-January 2006-07.

3. The performance of GDP growth has been impressive, which has improved from 7.5 per cent in 2004-05 to 9 per cent (Quick Estimate) in 2005-06 and, and according to Advance Estimate, to 9.2 per cent in 2006-07. The average growth rate in the last three years is, therefore, 8.6 per cent. Despite the poor start in 2002-03, the growth target set for the Tenth Plan of 8 per cent will be nearly achieved. The Eleventh Plan (2007-12) objective is "Faster and More Inclusive Growth. "The Approach Paper to the Eleventh Plan states that the Plan "will aim at putting the economy on a sustainable growth trajectory with a growth rate of approximately 10 per cent by the end of its period".

II. 4th Meeting of the Empowered Sub-Committee (ESC) of the High Level Committee on Manufacturing (HLCM)

The 4th meeting of the Empowered Sub-Committee of the HLCM was held under the Chairmanship of Dr. V. Krishnamurthy, Chairman, NMCC on 16th January, 2007 at New Delhi. The Chairman, NMCC indicated that the Apparel and Garments was an important segment considering its potential and value addition prospects. The five priority areas of the Textile sector identified by the NMCC include: (i) Apparel & Garments, (ii) Fibre Availability, (iii) Skill Development, (iv) Textile Machinery and (v) Technical Textiles. The Chairman emphasized that there is an urgent need to identify the areas where substantial issues are to be sorted out and action taken in the Budget of 2007-08, the 11th Five Year Plan and the Annual Plan 2007-08. He stressed the need for the ESC to come forward and formulate implementable decisions based on the Action Plan which can be further taken for approval of the HLCM.

2. A detailed presentation was made by the Ministry of Textiles during the meeting. The vision 2015 for the textile sector envisages an ambitious growth rate of 16% for reaching a total market size of US$133 billion. It expects a 9% international market share targeting an export basket of US$64 billion. The incremental investment required is about US$ 38.5 billion which will generate total direct employment to about 46 million.

3. After detailed discussions the following was decided to be put up to the HLCM:

i. Apparel & Garments

- Mission Mode approach towards implementation of schemes for the growth of Garment sector to be implemented and monitored giving more weightage to the garment sector in the on-going schemes of the Textile Ministry.
- Provide dedicated Garment Parks and incorporating as many garment units in the cluster development programmes like the SITP. In the TUFS also the garment sector should be given special attention.
- Making at least 1/3rd of new clusters under SITP garment/made up product focused accounting for at least half of the employment being created in each cluster.

- Providing support mechanism for imparting Skill Development and crash course training (short term) to the garment workers for the growth of the sector.
- A package needs to be worked out for relaxation of the Labour Laws for the garment sector which will aid in the consolidation and scaling up of the units.

ii. Fibre Availability

- Formulation of a long term Comprehensive Fibre Policy (natural & manmade) to boost the growth of the Textile Industry as a whole.
- The flow of investments necessary for production of adequate fibre to meet the ambitious growth target of the sector should be ensured. In the mean time the incidence of taxation needs to be balanced. The taxation issues would be discussed with Finance Ministry.

iii. Skill Development

- Monitorable fiscal measures to promote skill development by the industry.
- For extending financial assistance/support for skill upgradation programmes on a PPP basis.
- To assess the Skill-Gap in the T&G sector through a Nation wide Comprehensive Skill-Gap Survey and take remedial action.

iv. Textile Machinery

- Special effort needs to be mounted to ensure FDI from major textile machinery manufacturers in Europe and Japan to start manufacturing in the country.
- Constitution of a Working Group for the development of the textiles machinery can be considered having representation from different Ministries, viz. Heavy Industry, Small Scale Industry, Finance Ministry etc.

v. Technical Textiles

- Initiate specific steps on developing new and emerging areas through setting up Centres of Excellence relating to Technical Textiles with participation of industry and research institutions.

- Technical textiles should also be covered under TUF scheme where technical textiles are treated at par with 'processing industry' and be given capital subsidy of 10% coupled with interest subsidy of 5% for promoting new units wherever necessary.
- Specific efforts are also required for increasing the growth and consumption for the technical textile items in various sectors of the economy through various regulatory and non-regulatory measures.

vi. <u>Programmes</u>

- In order to operationalize the above policy directions the two flag ship schemes of the Ministry of Textiles, namely, the SITP and the TUFS have to be continued with suitable changes in the design for strengthening the weaker areas in the textile value chain such as processing and garmenting and for better focus and effective delivery.
- The programmes are needed as a catalyst to make the policy interventions effective and should be monitored closely under a proper governance mechanism and on a Mission Mode approach. The programmes need to be oriented towards the growth of the SMEs for enhancing their competitiveness.

(i) <u>Scheme for Integrated Textile Parks (SITP)</u>: Considering the success of the cluster development through the SITP, the following decision is required to be taken:

- For sanctioning creation of additional 50 clusters under SITP across the country in the next five years.
- Making at least 1/3rd of new clusters under SITP garment/made up product focused accounting for at least half of the employment being created in each cluster.

(ii) <u>Textile Upgradation Fund Scheme (TUFS)</u>

- For extending the TUFS scheme investments in a modified form for further strengthening the technology and competitiveness of the T&G sector for a five year period 2007-2012
- To focus on weaving, processing and garmenting sectors which are the weak links of textiles value chain
- To extend investment for new R&D and Design projects (green field), technical textiles at the existing rate.

III. Engagement with the Planning Commission:

The NMCC has been interacting with the Planning Commission in order to facilitate the Administrative Ministries get their schemes approved from the Planning Commission and subsequently the required Budgetary support for various schemes discussed and approved by the Empowered Sub-Committee of the HLCM in the priority sectors identified by the HLCM. In this connection the Chairman, NMCC held two rounds of discussions with the Deputy Chairman, Planning Commission on 19th January and 8th February, 2007 and apprised the Planning Commission of the thrust areas and the requirements of funds for implementation of the various programmes planned for the growth of the manufacturing sector and employment generation.

After detailed discussions, the Planning Commission agreed to approve and include some of the schemes/programmes particularly in the Textiles & Garments, Food Processing, Skill Development and Leather Sectors in the 11th Five Year Plan and provide funds for the same.

IV. Visionary Leaders for Manufacturing Programme:

In pursuance of the decisions taken in the first meeting of the Apex Committee on VLMP held on 16.12.2006, two rounds of discussions were held on 28.12.2006 and 23.01.2007 at NMCC with the stakeholders from IIT, IIM, MHRD, JICA and CII under the Chairmanship of the Member Secretary, NMCC to prepare a blueprint of the entire VLMP in each of the Opportunities 'A', 'B', 'C' and 'D' and its operational plans so that a complete project proposal can be submitted to JICA for necessary Japanese aid through Diplomatic Channel. This will be an addendum to the proposal already submitted by MHRD for originally envisaged VLMP. The funding requirement for the project was worked out by the academic experts from IIT and IIM which will be placed before the Apex Committee on VLMP for approval.

(ii) **The second meeting of the Apex Committee on VLMP** was held on 09.02.2007 at NMCC under the Chairmanship of Chairman, NMCC to consider operationalisation of all the four opportunities of VLMP and its funding/financial requirements. The Apex Committee after detailed discussion decided, among others, as follows:

- Opportunities 'A' and 'B' to start in July/August 2007.
- Visionary Leaders Transformation Camp under Opportunity 'C' will be held in October 2007.
- The VLMP Opportunity 'D' to be finalized quickly.
- A sub-committee to be constituted comprising of representatives of the NMCC, Ministry of HRD and the Institutions to work out full details of all the four programmes including financials. Shri Rajeev Ranjan, Chief (Joint Secretary) will take urgent action to coordinate this work.
- The project proposal to JICA should be completed and sent well in advance of the March 2007 Mission.

(iii). A meeting was taken by the Principal Secretary to the Prime Minister on Indo-Japan HRD Cooperation on 6th Feb 2007 in which discussions were held on Japanese assistance for VLMP. Member Secretary, NMCC participated in the meeting.

(iv) An interview was held on 15th Feb 2007 between Member Secretary, NMCC and Mr. Motoi Kusaka, Chief Editor, International Development Journal of Japan to cover Visionary Leaders for Manufacturing Programme (VLMP) in the journal. Prof. Shoji Shiba and Representatives from JICA and CII also participated were also present.

(v) A meeting was also taken by Secreatry, MHRD on VLMP on 20th February 2007 to discuss about various aspects of VLMP, which was attended by Chief (JS) (RR) and it was decided to constitute a Task Force comprising of representatives of Institutes and the HRD Ministry and NMCC for implementing the opporotunity 'B' in right earnest. Details of the programme in order to start the programme from 1st August, 2007 would need to be finalized and implemented on crash basis.

(vi) As per the decision of the 2nd Meeting of the Apex Committee, a completely revised proposal as an addendum to the earlier one sent by MHRD has been sent by NMCC on 23rd Feb 2007 to DEA with copies to the Japan International Cooperation Agency (JICA) and MHRD for providing technical support to the VLMP. In the proposal, the scope of the programme as approved by the NMCC Apex Committee on VLMP has been broadened to cover four opportunities 'A', 'B', 'C' and 'D' meant for different target groups.

Starting dates of the Programme

(vii) The tentative starting dates of the programme are as follows:

- VLMP opportunity 'A' programme to start from 1st July, 2007
- VLMP Opportunity 'B' programme to start from 1st August, 2007
- VLMP Opportunity 'C' programme to be held during October 2007
- VLMP Opportunity 'D' is proposed to start from 1st January 2008.

(viii) An Advertisement with programme details for the VLMP Opportunity 'A' has already been released for sending nominations to CII by 31st March 2007. Advertisement for Opportunity 'B' is under preparation by IIT Kanpur and IIM Kolkata which is expected to be released in March 2007. Similar action will be taken in respect of other programmes in due course. The next Apex Committee meeting on VLMP has been fixed on April 03, 2007.

V. Promotion of ICT in Manufacturing

1. In order to energize its efforts to establish a sustainable growth path for the Small and Medium Enterprises and to provide a framework for knowledge networks amidst identified clusters to facilitate backward and forward linkages, key essentials for the manufacturing sector, the National Manufacturing Competitiveness Council (NMCC) has entered into a Memorandum of Understanding (MoU) with the Microsoft Corporation (India) Pvt. Ltd. The networks will additionally enhance access to markets; improve skills through relevant and focused training and provide for relevant and customized solutions for the manufacturing sector.

2. The main objective of the above MoU is to use Information Technology (IT) in SMEs to enhance their competitiveness significantly and to enable them to compete in the globalized environment. The two bodies shall work together to provide framework for knowledge networks which will help create a self sustaining eco system of knowledge creation and sharing with the industry associations.

3. Under the aegis of the MoU a 5-years' **Project "VIKAS"** is to be launched to kick start the process of making the Indian SME sector competitive, and to help establish " Made in India" as a global brand to be reckoned with. The Project "Vikas" is a holistic plan designed to enhance the competitiveness of India's SME sector through a multi-pronged strategy, encompassing skill and capacity building, knowledge creation and dissemination, and enablement of linkages in the cluster ecosystem. Under

the proposed MoU, the Microsoft shall fund about US$ 15 million in the projects undertaken.

4. The **objectives** of the **Project "Vikas"** are:

- To support the long-term growth and competitiveness of the SMEs industries in the selected clusters of India.
- To achieve growth and competitiveness of existing companies through creating internal efficiencies.
- The establishment of new ICT BDS, including spin-outs from academic or industrial R&D.
- Development of local markets for ICT goods and services in India through growth of a local software ecosystem and increasing IT penetration.
- To improve SMEs access to market by optimising the use of ICT
- To improve availability of skill and human capital formation
- Development of Knowledge Networks in SME clusters

5. These objectives will be achieved by a multi-pronged strategy that addresses:

- **Using IT to provide enhanced access to markets**: Many SMEs are hamstrung by limited access to markets, especially overseas markets. Providing them with the means to access world markets, through ICT enablement, will eliminate a major barrier and empower them to transact directly with their customers.
- **Improving skills and creating human capital through relevant and focussed training**: Two factors limit SME access to skilled personnel: geographical clustering and inability to attract quality talent. It is therefore important to upgrade the skills of management and their existing employees to enable informed decision-making and reduce dependence on external agencies. More importantly, skills need to be locally developed and made available to clusters, in a continuous manner, through engagement with local ITIs and polytechnic training institutes.
- **Creating internal efficiencies** through increased ICT absorption in a graduated manner thereby reduction operational and transactional costs by automating repetitive processes and improving their capacities for information access, processing, collaboration and dissemination.
- **Development of 'Knowledge Networks'** to enhance sharing of best practices across clusters, collation and dissemination of information of

latest trends and developments related to markets and IT. The networks will include the creation of R&D linkages to ensure that SMEs have access to relevant and affordable R&D, foster innovation and ensure continued product improvement.

- **Increasing IT penetration and usage in the manufacturing sector**: A recent Microsoft sponsored NASSCOM study had highlighted the extremely poor penetration of IT in the Indian manufacturing sector. This is significant casual factor contributing to the lack of competitiveness of this sector in general and SMEs in particular.
- **Fostering the growth of a local software ecosystem** to support the assimilation of ICTs and the provision of relevant, customised solutions to the manufacturing sector. This is a vital missing link in the chain. Unless there are some strong, local ISVs aligned with each cluster, it would be difficult for individual SMEs to either develop customised solutions specifically tailored to their requirements or to sustain the continuous enhancement and upgradation required in their IT systems. Project "VIKAS" will incubate and nurture an ecosystem of such ISVs to ensure continued, high quality and relevant ICT support is available to the cluster.

6. **Other information chain infrastructure – R&D linkages**. SMEs do not have inherent capacities to undertake R&D even though this capability is needed by the SMEs to undertake continuous improvement of their product portfolios. Without continuous product improvement SMEs will be unable to effectively compete in the global environment. It is, therefore, important to create linkages between the Cluster and organizations with R&D capabilities such as IITs, RECs, and other institutes to provide access to focused R&D to the clusters as well as creating the appropriate mechanism to share the research within the cluster.

7. Preliminary visits to 7 clusters have been made by Microsoft Officials to understand the cluster dynamics, current usage of ICT and get initial buy-in into our program. To start with Pune Auto component cluster, Tirupur Textile cluster and Ahmedabad Pharma cluster have been identified as 3 pilot clusters as Pilot programme.

8. The programme deliverables include: (i) Innovative change in management, technology and statistical information for faster decision making; (ii) Changing of instruction oriented follow-up to system oriented follow-up; (iii) Free flow of communication and greater transparency at the organizational level; (iv) Executive/entrepreneurs spend more time for Planning and development instead of attending on internal problems and stabilization; (v) Recognition by the international firm and higher market potential; (vi) Higher level of internal efficiency and better competitiveness.

Project "VIKAS" is being implemented through a multi-pronged strategy, encompassing skill and capacity building, knowledge creation and dissemination, and enablement of linkages in the cluster ecosystem.

Establishment of a National Manufacturing Portal:

9. In order to devise a multi-dimensional web supported hi tech architecture, empowering information base of SMEs to promote the organization and development of competitive and innovative SME clusters towards sustainable growth, it is proposed to establish a **"National Manufacturing Portal"** in association with the Microsoft Corporation (India) Pvt. Ltd. under the **Project " Vikas".** The objective of launching the Portal is to span and link clusters across India and various websites of the Government and other concerned agencies. It will be one of the largest portals holding information base of Small and Medium Enterprises (SMEs) for increasing the usage of the Internet as national and cluster level activity where maximum number of national institutions cluster actors can participant in the portals. The Portal will contain the contents on policy, programmes and relevant schemes pertaining to the SMEs in the Manufacturing sector; relevant web site links of various Government of India Ministries / Departments, autonomous bodies / organizations and contact officials / agencies.

10. The **scope** of this initiative shall include:

- A full-fledged multilingual interactive information portal at national and cluster level with special tools empowering SMEs for enhancing the competitiveness of their business.
- Database driven applications to keep a track of the happenings, maintaining a repository of information and creating a retrieval database.
- Competitiveness Tools - This section would provide the members with different tools that they can use for enhancing the competitiveness of their business. There would be the latest information on the markets of the different sectors being catered to like textiles, auto components and pharmaceuticals. There would be daily update of different currency conversion and lending rates of premier banks. There would be online planning toolkits available for the members like **"How to prepare a business plan", "How to advertise online for maximum revenue generation" etc**, that would help the SMEs be more professional and use the outcomes of "Project Vikas" better. Moreover, the training programme for the capacity building at national level will be put up in this section.
- Database and Directories – This section would provide Cluster database holding information on 384 industrial clusters in India with

location-wise or product-wise search, BDS Providers database who play an important role in the development of clusters and Company database with search capabilities of companies within clusters.

- Policies and Governance - This section would focus on the various policies pertaining to the specific sector and clusters. These policies would be of the state and control levels and also any specific policy or regulation pertaining to the cluster. The policies would be in their full text through links to state and central Ministries links.
- Twining of Clusters - This would be the cluster specific knowledge sharing section wherein the members can access data and knowledge of their national compatriots. There shall be specifically mentioned benchmarks and efficient technologies that can be replicated. It shall also include profiles and practices of international competing clusters, for benchmarking and best practices.
- Online resources and support - This section would be a resource base wherein the visitor can access various resources related to clusters. There would be a list and brief of the various cluster based development programs in India and internationally. These would offer visitors an outlook on cluster based development practices globally. There be fortnightly newsletters of the project clusters as well as a newsletter of the program (monthly). This will include case studies from the various project locations as well as references. There would be specific articles that would be in sync with the objectives of the project and would be related to it. Apart from reference links there would also be an interactive forum where visitors can post their queries or issues.
- Download centre - This section would have the public documents of the project like the brochure, reports presentations, forms, case studies and a glossary of the terms used as well a FAQ on the project. There would also be forms pertaining to the interest group of the cluster.
- Multilingual software for the multi functional integrated backend application.

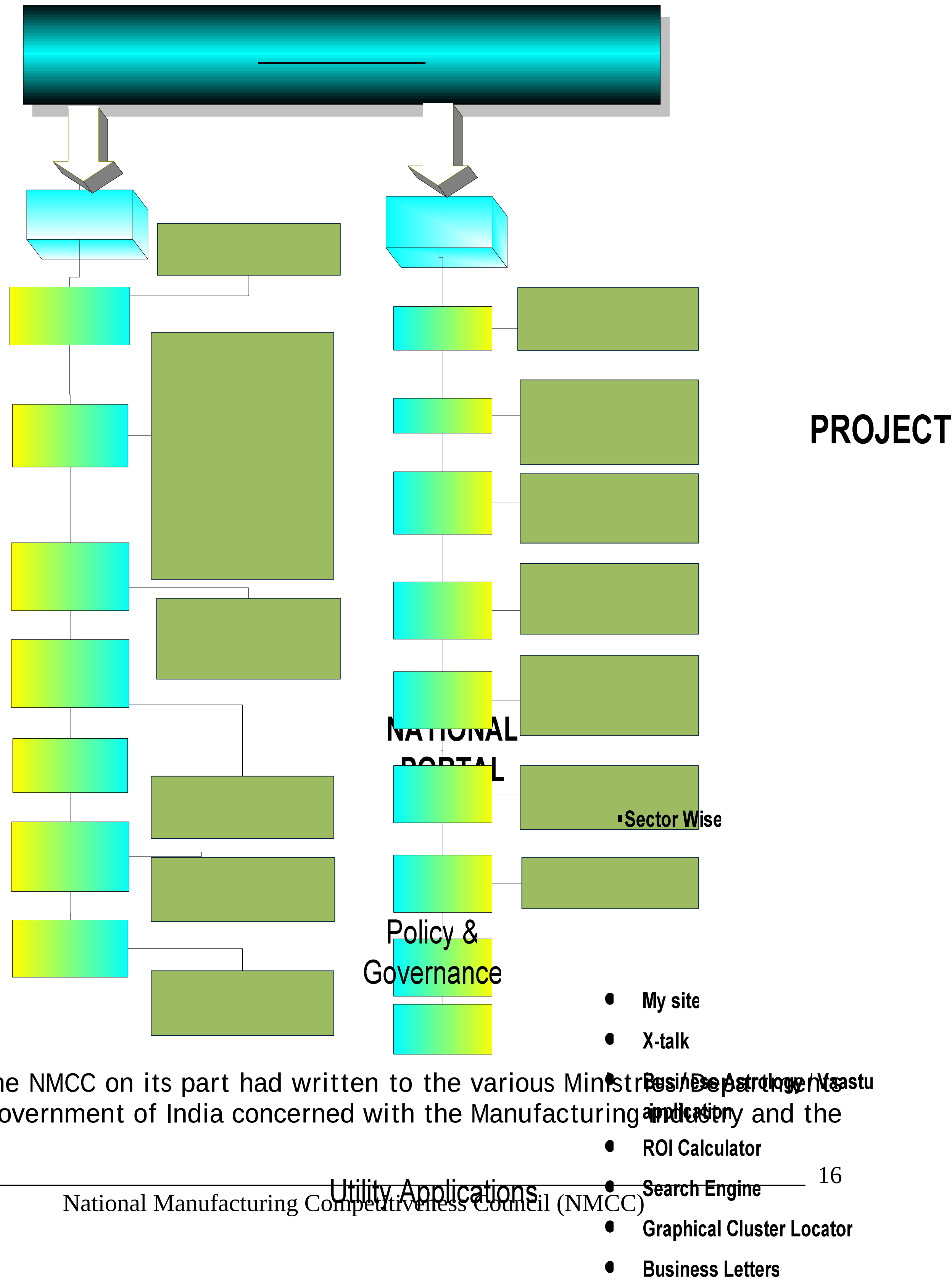
11. Target Audience

The target audience using the services shall include:

- SME Individual Firms/Companies
- Guest Entrepreneurs
- Cluster Industry Associations

- Public at large in India and abroad.
- NMCC
- Government Officials

12. Structure



14. The NMCC on its part had written to the various Ministries/Departments in the Government of India concerned with the Manufacturing Industry and the

State Governments for allowing linkages/hyper linkages with their websites and also allow taking the contents as required for the National Manufacturing Portal. A number of Ministries/Departments in the Government of India as well as the State Governments have conveyed their consent to our request and the Microsoft has proceeded in the matter.

The second agenda item: <u>Union Budget (2007-08) and the Manufacturing Sector</u>, The following are the highlights of the agenda item:

1. The Union Budget 2007-08 has recognized the role of manufacturing sector in augmenting economic growth. In the Budget speech the Finance Minster has said, 'Manufacturing is the main driver of growth, and this augurs well for the future'.

2. The NMCC has been closely working with various Ministries and other concerned stakeholders in evolving action plans for enhancing competitiveness of the Manufacturing sector as elaborated in the National Strategy for Manufacturing (NSM). Considering the importance of growth and employment prospects, <u>the Empowered Sub-committee of the NMCC has identified six priority areas viz. Textiles and Garments, Food & Agro Processing, Leather and Footwear, IT Hardware and Electronics, Skill Development and Problems of Small & Medium industries including Cluster Development</u> to be brought before the HLCM for policy support.

3. Accordingly the interventions required in terms of fiscal support have been identified by the NMCC through discussions and interaction with the stakeholders. As envisaged, the Budget 2007-08 has taken note of the importance of the Manufacturing sector as a key growth driver of the economy and has endorsed and suitably incorporated the NMCC's Budget recommendations. The continuance of the Technical Upgradation Fund (TUF) scheme for the textiles the R&D exemption, the reduction in tariff of key inputs, the thrust for skill development, emphasis on employment generation for creating the necessary rural demand for the manufactured products will give continuity to the growth momentum and will boost the manufacturing sector as a whole to higher levels. Apart from the above thrust areas, the NMCC has been engaged in formulation policies of other manufacturing and related sectors like Auto mobiles and Auto components, Gems & Jewellery, Drugs & Pharmaceuticals, Capital Goods, Handicrafts, Chemicals and Petrochemicals, R&D and Innovation policy, Bio-technology, Telecom

Equipment, Fertilizers, Minerals/Metals, Steel, Cement, Infrastructure etc. The aim is to create an overall multiplier effect to provide the impetus for the manufacturing sector. The NMCC has formulated the National Manufacturing Competitiveness Programme (NMCP) for enhancing the firm level competitiveness in several manufacturing sectors.

4. Investments in the manufacturing sector need further impetus. The accelerating rate of investment in the economy has been pointed out as a healthy sign and it is expected that the trend will continue in 2007-08. The reduction in customs duty on capital goods from 10.0 to 12.5 per cent to 5.0 to 7.5 per cent in January 2007 would give further impetus to investments. The Budget has kept the vibrancy in investment by hiking the allocation for APDR Programme and the TUF Scheme. The gross domestic capital formation (GDCF) in 2005-06 grew by 23.7 per cent over the previous year to Rs.11,47,254 crore. In April-January, 2006-07, foreign direct investment amounted to US$12.5 billion and outpaced portfolio investment which was US$6.8 billion. The Central Public Sector Enterprises (CPSEs) will, through internal and extra budgetary resources, invest Rs.165,053 crore in 2007-08. Government will provide equity support of Rs.16,361 crore and loans of Rs.2,970 crore to CPSEs. Further, in the current year, eight CPSEs with a cash infusion of Rs.1,590 crore have been restructured and non-cash sacrifices of Rs.1,612 crore made.

5. Venture Capital Initiatives: A boost for New Entrepreneurs: Venture capital funds are a useful source of risk capital, especially for start-up ventures in the knowledge-intensive sectors. The Budget has proposed to grant pass-through status to venture capital funds only in respect of investments in venture capital undertakings in biotechnology; information technology relating to hardware and software development; nanotechnology; seed research and development; research and development of new chemical entities in the pharmaceutical sector; dairy industry; poultry industry; and production of bio-fuels.

6. <u>Research & Development: Ample Support for Knowledge Base</u>

The Budget has provided for:

- **Extension of the concession under Section 35(2AB), which allows a weighted deduction of 150 per cent for expenditure relating to in-house research and development for five more years until March 31, 2012.**

- Extension of the Concessional rate of 5 per cent duty available to public funded research institutions to all research institutions registered with the Directorate of Scientific and Industrial Research.

7. **Innovation**: In order to encourage innovation, the budget has proposed to exempt from service tax all services provided by technology business incubators. Similarly, incubators whose annual business turnover does not exceed Rs.50 lakhs will be exempt from service tax for the first three years.

II. Sector-wise Important Tax Proposals Announced in the Union Budget (2007-08) in respect of the Priority Sectors of the NMCC:

1. Textiles & Garments

- To continue the Technology Upgradation Fund (TUF) scheme during the Eleventh Plan. Against a provision of Rs.535 crore in 2006-07, Rs.911 crore in 2007-08 has been provided.
- To increase the provision for Integrated Textiles Parks (SITP) from Rs.189 crore in 2006-07 to Rs.425 crore in 2007-08. 26 parks have been approved so far out of 30 sanctioned under the Scheme.
- To reduce the customs duty on **polyester fibres and yarns** from 10 per cent to 7.5 per cent. Consequently, the customs duty on raw-materials such as DMT, PTA and MEG will also be reduced from 10 per cent to 7.5 per cent

Extension of TUFS and increased allocation will boost investment flow, which had picked up during 2005 following dismantling of quota restrictions. Customs reduction to benefit man made fibre yarn industry, which links the raw material price to the petroleum prices. Reduction in duties on polyester and raw materials is likely to the boost the segments prospects. Allocations of funds to the scheme for Integrated Textiles Parks would facilitate setting up of dedicated hubs in specific segments like Garments, Technical Textiles etc.

Handlooms

- The allocation for the sector has been proposed to be enhanced from Rs.241 crore in 2006-07 to Rs.321 crore next year.
- The cluster development of the handloom sector in 120 selected clusters (2005-06). Proposes to take up additional 100-150 clusters in 2007-08. 273 new yarn depots opened in the current year and the Handloom Mark launched.

- The existing 12 Handloom schemes will be grouped into five schemes in the Eleventh Plan period. The health insurance scheme has so far covered 300,000 weavers and will be extended to more weavers. The scheme will also be enlarged to include ancillary workers.
- The handlooms will be covered under the TUF scheme.

Coir Industry: **A** modernization and technology upgradation scheme for coir industry, emphasis to major coir producing States, provision of Rs.22.50 crore.

2. Food processing

- Fully exempts excise duty on biscuits if the retail price does not exceed Rs.50 per kg.
- Fully exempts excise duty on all kinds of food mixes including instant mixes.
- Exempted crude as well as refined edible oils from additional CV duty of 4 per cent, duty on sunflower oil by 15 per cent.
- Special purpose Funds for Tea formed for re-plantation, similar financial mechanisms for rejuvenation of the Coffee, Spices, Cashew and coconut segments will soon be put in place.
- Higher target for farm credit to cover 50 lakh farmers.

3. Leather and Foot Wear

- **To reduce the excise duty on parts of footwear from 16 per cent to 8 per cent.**

The incentives and support packages announced for SMEs would help the majority of the leather units, which are mostly small scale.

4. Skill Development: Need of the Hour

The Budget has given thrust for skill development across the sectors. It proposed upgradation of 1,396 ITIs into centres of excellence in specific trades and skills under public-private partnership. Under the proposed scheme, the State Government, as the owner of the ITI, will continue to regulate admissions and fees; the new management will be given academic and financial autonomy; and the Central Government will provide financial assistance by way of seed money. ITIs will be encouraged to start a second shift. Once a tripartite MoU is signed among the three stakeholders, It also grant an interest free loan up to Rs.2.5 crore to each ITI for upgradation and revision of courses. The cooperation of State Governments has been sought in upgrading at least 300 ITIs every year, beginning 2007-08, under the PPP mode and the Budget has kept aside Rs.750 crore for this purpose.

The sustenance of economic depends on a healthy reservoir of skilled and trained manpower. The Budget has pointed out that the demographic dividend can be encashed only if we pursue long-term skill upgradation packages across all the sectors of economic activity. The issues has been getting the required attention with the announcement of the Vocational Education Mission by the Prime Minister in Aug. 2006, the Planning Commission has set up a task force to chalk out strategies for vocational education programmes in which the NMCC is also represented. The approach would be based on the public-private partnership. Rs. 50 crores has been proposed as an initial provision for beginning the work of the Mission.

5. Information Technology (IT)

- Minimum Alternate Tax (MAT) at the rate of 11.2% extended to income in respect of which deduction is claimed under sections 10A and 10B of the Income Tax Act.
- Proposed service tax exemption for all taxable services provided by recognized Technology Business Incubators (TBI)/Science and Technology Entrepreneurship Parks (STEP)
- Employees' Stock Option Plan (ESOP) under the ambit of Fringe Benefits Tax (FBT).
- Budgetary allocation for e-governance projects proposed to be increased from Rs. 3.95 billion to Rs.7.19 billion.
- E-governance encouraged.
- New scheme of manpower development for software exports industry

Some negative impact on the sector has been processing because of extension of MAT, increase in dividend distribution tax and proposal to bring ESOPs under FBT. But the thrust on e-governance projects may result in more opportunities in the domestic market. Tax incentives for more VC investments in IT sector will add to growth.

Electronics

- Proposed excise duty exemption on 'flash memory' in general, and DVD drives/DVD writers.
- Cell phone parts, components and accessories are exempt from the additional customs duty of 4 per cent until April 2007, which has now been extended up to June 30, 2009.
- Reduction in customs duty on digital cinema infrastructure equipment from 12.5 per cent to 7.5 per cent.

- Reduction in the peak customs duty from 12.5 per cent to 10.0 per cent (on consumer durables).
- Extended MAT to the IT/ITES industry.

Telecommunications industry

A committee is to be constituted study the present structure of levies and make suitable recommendations for unification of the multifarious taxes, charges, and fees to Government.

6. Small and Medium Enterprises: Needs Encouragement

Banks need to lend more to the SME sector. The outstanding credit to the SME sector has increased from Rs.135,200 crore at end December 2005 to Rs.173,460 crore at end December 2006, since the credit policy for small and medium enterprises (SME), announced in August 2005. Also suggested banks to have regard to the credit rating acquired by an SME while fixing the interest rate.

A. Proposed to grant relief from excise duty in deserving cases, especially job creating sectors as :

- Raise the exemption limit for **small scale industry (SSI)** from Rs.1 crore to Rs.1.5 crore.
- Reduce excise duty on **umbrellas and parts of footwear** from 16 per cent to 8 per cent.
- To reduce excise duty on **plywood** from 16 per cent to 8 per cent.
- **Fully exempt biodiesel from excise duty.**
- Fully exempt from excise duty **water purification devices** operating on specified membrane based technologies as well as domestic water filters not using electricity.
- Extend the exemption to all **pipes of diameter exceeding 200 mm** used in water supply systems.
- Increase the specific rates of excise duty on **cigarettes** by about 5 per cent.
- Excise duty (excluding cess) on biris, which was last fixed in 2001, will be raised from Rs.7 to Rs.11 per thousand for non-machine made biris and from Rs.17 to Rs.24 per thousand for machine made biris. There is an exemption from excise duty for unbranded biris up to 20 lakh biris in a year.

- Pan masala containing tobacco will continue to bear an excise duty of 66 per cent and Pan masala not containing tobacco, the duty will be reduced from 66 per cent to 45 per cent.

B. Service Tax Exemption

- to raise the exemption limit for small service providers from Rs.400,000 to Rs.800,000.
- Consequently, 200,000 assesses out of a total of 400,000 assesses will go out of the service tax net. The revenue loss will be Rs.800 crore, but it is in the interest of the small service provider and the consumers

IV. Other Sub-Sectors

1. Auto & Auto Ancillaries

- Weighted deduction on in-house R&D expenditure extended for five years
- Reduction of peak customs duty reduced to 10% (on components)
- Increased allocation for farm credit and road projects
- CST reduced to 3%
- Vocational training programmes to be initiated.

Minor reduction in peak customs duty is positive for auto companies with high import content in vehicles. Extension of weighted average deduction on R&D would benefit OEMs, who on an average allocate 1-2% of sales towards R&D. Thrust on infrastructure development and road construction would benefit commercial vehicle segment. Two-wheeler industry, strongly dependent on rural demand, would benefit from thrust on agriculture sector. Higher budgetary allocation towards farm credit to support financing of agricultural equipment is positive for tractor manufacturers.

In the case of auto components the peak customs duty has been reduced by 2.5% while the customs duty on select raw materials was reduced in January 2007; thus, the effective duty protection has been maintained. However, competition from cheaper import has been on the rise for select components like wheels, steering parts for commercial vehicles, etc. The reduction in peak duty is in expected lines, especially considering the FTAs that have been signed with various ASEAN countries. This would also help in improving the competitiveness of the Indian automobile industry in general. Reduction in CST rate would bring in marginal savings in raw material costs.

Most suppliers have their manufacturing units located in the same state as OEM's; thus, impact of CST reduction on finished goods is neutral for most players. Extension of benefits on R&D investments for 5 year will benefit the industry, where established players spend around 1.5%-2.0% of revenues on R&D. Demand for skilled and trained manpower is likely to increase to great extent. Initiation of the vocational training programmes will greatly help in meeting the industry needs.

2. **Gem and Jewellery**

To reduce duty on gems and jewellery viz. cut and polished diamonds from 5 per cent to 3 per cent; on rough synthetic stones from 12.5 per cent to 5 per cent; and on unworked corals from 30 per cent to 10 per cent.

An Expert body constituted to advise the Government on tax policy has recommended for following the best international practices and the need for a simple tax regime in the sector. Based on this a benign assessment procedure will be introduced to assessees those engaged in diamond manufacturing and trading who declare profits from such activities at 8 per cent or more of the turnover. The jewellery industry is unclear about the exact nature of the assessment procedure. While diamond jewellery makers have welcomes custom duty cuts, corporate India has deplored employees stock option plan (ESOP) being brought under the tax regime in India's financial and entertainment capital. Help in promoting India as a hub of polished diamond. Turnover tax regime would rule out unnecessary legal bickering between tax assessors and assesses as to valuation of stock (diamond), a key problem that the industry faces.

3. Pharmaceuticals

- Weighted deduction on in-house R&D expenditure extended for a period of five years
- Service Tax Exemption to DCGI2 approved CRO3s offering clinical trials for technical testing and analysis services for testing of new drugs
- Peak customs duty reduced to 10%
- Concessional rate of 5% customs duty plus Nil CVD on specified items extended to all research institutions registered with DSIR.
- Additional 15 imported items for R&D purposes allowed to be imported at 5% customs duty.
- Increased budgetary allocation towards AIDS control and immunization for Polio
- Rationalization of fringe benefit tax (FBT) where distribution of samples excluded;

- To reduce the duty on 15 specified machinery from 7.5 per cent to 5 per cent for the pharmaceutical and biotechnology sector,

Decline in the customs duty on bulk intermediates may result in marginally lower raw material costs for formulation players. Extended weighted average deduction on R&D will encourage research spend, which is around 5-7% for large generic companies. CROs offering clinical trials will benefit from service tax exemption. Domestic pharma business to benefit from exclusion of free samples from FBT calculation.

Higher dividend tax to impact pharma MNCs, who generally have large dividend payouts. To exempt clinical trial of new drugs from service tax which would make India a preferred destination for drug testing. Most pharmaceutical companies expressed happiness with the extension of the R&D incentive. Cuts are expected to accelerate Indian Pharmaceuticals, which is growing at 10% a year, compared to the global growth rate of 7%. Allocation of funds for anti-AIDS drugs and exemption of excise duty on life saving vaccines is a good sign.

4. Steel

Import duty on seconds and defectives of steel reduced from 20% to 10%.

- All coking coal made fully exempted from import duty.
- Iron ores and concentrates of all sorts to attract an export duty of Rs. 300/MT.

Cheaper landed cost of seconds and defectives following the proposed reduction in the import duty may have an unfavourable impact on the smaller players. However, elimination of import duty on coking coal is a positive for the sector since coke/coking coal accounts for a large component of production costs. The imposition of export duty on iron ore would benefit non-integrated producers, to the extent that it may act as a dampener on exports of iron-ore.

5. Cement

- To reward cement manufacturers who hold the price line and tax those who do not.
- To reduce the present rate of excise duty of Rs.400 per metric tonne to Rs.350 per metric tonne on cement which is sold in retail at not more than Rs.190 per bag? On cement that has a higher MRP, the excise duty will be Rs.600 per metric tonne.
- The railway budget announced 5% cut in freight rates for diesel, petrol and a 6% reduction in limestone. Also, commodity based tariff policy

from April on an experimental basis for major commodities will be introduced.

- Increased allocation for infrastructure investments (Power, roads, rural infrastructure)
- CST reduced to 3%

With strong demand, the increase in excise duty (Rs 10/bag), to some extent may be passed on to the consumers (except in certain markets in South, where price may be reduced). The continued thrust on infrastructure development will provide impetus to the healthy growth in demand, protecting the bottom line of cement companies to an extent. The reduction in the CST and in freight rates on diesel and limestone will be marginally positive for some companies.

6. Petrochemicals

- Reduction in peak rate of customs duty from 12.50% to 7.5% on most products.
- Reduction in import duty on PSF, PFY & Polyester Chips to 7.50% from 10% earlier.
- Reduction in import duty on PTA, DMT & MEG to 7.50% from 10% earlier.
- Reduction in excise duty on benzene, used for the manufacture of caprolactam, from 16% to 12%.
- Reduction in import duty on methanol to 7.50% from 10%.
- Accelerated Irrigation Benefit Programme revamped to cover more irrigation projects.

Reduction in import duty on PSF & PFY will negatively impact the profitability of standalone polyester producers, even after taking into account the decline in duty for the fibre intermediates. Reduction in import duty on other chemicals to negatively impact the producers' profitability. Even for the integrated producers, petrochemicals margins will be reduced because of the net duty decline. Additional emphasis on irrigation to positively impact the demand for PVC pipes & fittings

7. Minerals

To impose an export duty of Rs.300 per metric tonne on export of iron ores and concentrates and Rs.2,000 per metric tonne on export of chrome ores and concentrates.

V. Customs Duty Reduction: Aims to Achieve East Asian Parity

The Union Government has announced reductions in tariff viz.

reduction of import duties on capital goods, project imports, metals, and specified inorganic chemicals by 2.5 percentage points and, in some cases, by 5 percentage points in January 2007. In order to take one more step towards comparable East Asian rates, the budget has proposed to reduce duty on the following;

- Reduce the peak rate for **non-agricultural products** from 12.5 per cent to 10 per cent.
- Reduce the duties on most **chemicals and plastics** from 12.5 per cent to 7.5 per cent.
- Reduce the duty on **seconds and defectives of steel** from 20 per cent to 10 per cent.(duty on prime steel are 5 per cent, seconds, & defectives augment supply).
- Fully exempt from duty all **coking coal** irrespective of the ash content.
- To reduce the duty on **watch dials** and movements as well as **umbrella** parts from 12.5 per cent to 5 per cent.

General Issues

1. Corporate income tax (CIT)

- **Keep the same rate of CIT with one important modification.**
- **Proposed to remove the surcharge on income tax on all firms and companies with a taxable income of Rs.1 crore or less. (Benefit about 1,200,000 firms and companies).**

2. MAT

- **Extend MAT to income in respect of which deduction is claimed under sections 10A and 10B of the Income Tax Act. To bring about horizontal equity in taxation, MAT should therefore apply, as far as possible, to all corporate incomes.**

3. Dividend Tax

- **Raise the rate of dividend distribution tax from 12.5 per cent to 15 per cent on dividends distributed by companies.**
- **Excise duties & Service tax**

4. No change in the general CENVAT rate or in the service tax rate.

5. Reduce the ad valorem component of excise duty on **petrol and diesel** from 8 per cent to 6 per cent. (Reduced the price of petrol and diesel by Rs.2 per liter and Re.1 per liter, respectively (on February 15, 2007)**)**

6. Cess for Education on all taxes: An additional cess of 1 per cent on all taxes (over and above the 2 per cent cess on all taxes to fund basic education), to fund secondary education and higher education and the expansion of capacity by 54 per cent for reservation for socially and educationally backward classes.

The third agenda item: <u>Enabling Small and Medium Enterprises (SMEs) to Achieve Competitiveness Action Plan for Implementation of the NMCP .</u> The following are the highlights of the agenda item:

I. Introduction

1. The thrust of the Indian planning process have been small-scale orientated due to its labour intensive mode of production, conducive for a labour-surplus developing economy. Apart from the significant contributions in terms of volume of production, number of units etc, the SMEs have demonstrated strengths in terms of technology adoption, advanced processing techniques, flexibilities in design and management. With increasing competition, the maturity of the Indian SMEs has improved as shown by the increasing contribution to the GDP, industrial production, exports and employment. However, due to its inherent disadvantages like lower scale, weak technology base, lack of innovation and R&D across sectors, the SMEs had quest for support in the areas of quality, standards, trade rules and regulations, research and development, innovation etc to acquire capabilities and capacities to attain greater heights and raise growth and market share in domestic as well as global markets.

2. The Micro, Small, and Medium Enterprises (MSMEs) play a vital role in strengthening the Indian industry, enhancing productivity, and creating sustainable livelihood opportunities especially in the rural areas across the country. With the advent of liberalization and globalization the SMEs exposure to severe competition has been on the rise. But experience tells that this can be dealt with building capabilities through technology, training, and innovation. For India, the SMEs sector has the maximum potential for generating employment opportunities with lower investments. It plays a crucial role in minimizing regional growth differences. Hence development of the SMEs is important for a balanced and inclusive growth process across the States.

3. Indian SMEs are on a resurgence phase stemmed by new age entrepreneurship with exposure to quality, innovation, and R&D acumen. The small enterprises sector has attained a higher growth of about 8 per cent per

year during the last decade compared to the growth of 5-6 percentages for the industrial sector as a whole. The unleashing of the Indian enterprising spirit has been demonstrated by the SMEs outstanding performance in the liberalized phase. The current vibrant growth in manufacturing emerges from the strong moorings of the SMEs. It constitutes the bulk of our industrial base and contributes significantly to the exports, employment, and the GDP. India has nearly three million SSIs which, account for almost 50 percent of industrial output and 42 percent of India's total exports with potential to be the future drivers of economic growth.

4. Recently the Indian SMEs have been conquering greater heights backed by strategic planning for sourcing technology, raw materials, marketing vision etc. in the wake of the policies and packages rolled out by the government for creating growth climate for the SME-led new industrialization process across the country. Added to this the growth stimulant factors include the contribution of new generation entrepreneurs, fuelling role of the ICT and knowledge management techniques, strides in financial market etc.

5. As the Indian economy is going through a vibrant manufacturing phase, it is important to maintain this momentum of the SMEs as a supportive and absorptive layer with necessary incentives and support. A recent study by ASSOCHAM indicated that SSIs are expected to grow at 11 per cent and could contribute 7.25 per cent to the GDP by Fiscal 2006, compared to 6.80 per cent in the previous year. The spurt in growth has been attributed to the increased use of new and innovative technologies within the manufacturing units. The industry estimates show that SSIs are likely to employ over three crore persons by this fiscal end. The total production is likely to touch Rs. 5,40,000 crore by March 2007. The total exports is likely to reach Rs. 1,35,200 crore. A detailed review of the policy initiatives and programmes and packages being implemented by the government is been given in the **Annexure I**.

II. National Manufacturing Competitiveness Programme (NMCP)

6. The Small & Medium Enterprises (SMEs) form the back bone of the Indian Manufacturing Sector. Ensuring competitiveness of the SMEs is essential to accelerate the overall growth of the manufacturing sector as well as the economy as a whole. Embarking on globalization has opened many challenges and opportunities for the SMEs to grow, expand and engage with the highly competitive Global market. For ensuring competitiveness for the SMEs, one of the key steps is to remove the persistent impediments which have been preventing the SMEs from achieving its full potential viz. timely and adequate credit, technological obsolescence, infrastructural lacunae, lack of R&D

linkages, marketing constraints and rules and regulation. In this endeavor the government has announced the formulation of a 5 year National Manufacturing Competitiveness Programme (NMCP).

7. The NMCP has been conceptualized and finalized by the National Manufacturing Competitiveness Council (NMCC) through deliberations with the stakeholders like the Ministry of SSI, and other organizations and experts. The aim is to equip the SMEs to face the severe competition from both domestically and abroad. The cluster approach has been adopted for improving the competitiveness of the SMEs. The comprehensive NMCP has been evolved through deliberations at various levels and its operationalisation is formulated to address the challenges faced by the SMEs through enhancing the internal(firm level) competitiveness and also by facilitating for growth in terms of interventions through policy packages including ICT, Design Clinics, Lean Manufacturing, Quality Campaign, Common facility centres, Marketing etc.

8. The NMCC has initiated the NMCP with a view to enhance the firm level competitiveness and for the benefit of the small entrepreneurs as part of the National Strategy for Manufacturing (NSM). The Implementation of the NMCP has been entrusted to the Ministry of SSI through the office of the Development Commissioner (Small Scale Industries), (DC(SSI)). The key objective of the NMCP is to provide overall support to the SMEs to become competitive. It has been conceived mainly to deal with leveraging resources for enhancing firm level competitiveness in the emerging competitive regime. Further, a holistic approach has to be adopted through initiatives like the MSME Act 2006, the Package for Promotion of Micro and Small Enterprises (MSE) with a major push for credit guarantee fund for developing the Micro and Small Enterprises Development Programme, which include cluster based development by providing common facility centers for clean processes, technology, energy saving processes & skill adaptation, quality & testing, establishment of risk capital fund, Portfolio Risk fund etc. For the comprehensive revitalization of the SMEs sector, the NMCP has formulated the following schemes:-

i. National Programme on Application of Lean Manufacturing
ii. Design Clinic scheme to bring design expertise to the Manufacturing Sector
iii. Promotion of ICT in Indian Manufacturing sector
iv. Mini-Tool Rooms proposed to be set up by Ministry of SSI.
v. Technology and Quality Management Support for SMEs.
vi. Support for Entrepreneurial and Management Development of SMES

vii. Enabling Manufacturing sector to be competitive through Quality Management Standards and Quality Technology Tools

viii. National campaign for investment in Intellectual Property

ix. Market Assistance /SMEs and Technology Upgradation Activities – Ministry of SSI in co-operation with TIFAC/CSIR

x. Marketing support/assistance to SMEs.

III. Components of the NMCP

A. National Programme of Application of Lean Manufacturing:-

The objectives of this intervention are to:

(i) Provide direct assistance to enterprises for meeting their manufacturing needs and competitiveness.

(ii) Eliminate waste throughout the business cycle, and

(iii) Strengthen enterprises associations/district level associations to enable them to provide such services to their members on sustainable basis.

10. This ambitious programme would be covering about 10,000 firms in 500 industrial clusters spread across the country based on their willingness. The activities proposed under this intervention include training of consultants for shop floor intervention with the help of International/National experts, to be followed up with the trained consultants intervening at the firm-level, using tools like 5S system, JIT, KANBAN, Cellular lay out, Total Productive Maintenance (TPM), etc. The interventions would be at the cluster level. The intervention would be in the PPP mode with the GoI share of Rs. 300 crore and industry contribution of Rs.100 crore. Each enterprise/cluster would be assisted for a period ranging from 18 to 30 months. The five year project is so designed that it would be self-sustaining afterwards, with the industry owning it completely. The expected outcomes include an increase in labour productivity, lower input costs to other industries and intervention of new production equipment/methods. The revised proposal has been re-submitted to the IFW on January 2007 with total proposed cost of Rs. 300 crores and Industry contribution of Rs. 80 crores.

B. Design Clinic scheme is intended to bring design expertise to the Manufacturing Sector

11. Undertake Continuous Workshops by involving International Experts(TES) at various Locations for

i. Training of Trainers.

ii. Online hands on Workshops on Design'- certified courses.

iii. Create a Resource Bank on Designs involving new/fresh young talents from schools/colleagues etc.

iv. Share common ideas with other units for cost saving etc.

12. The Ministry of SSI and the NMCC in consultation with various stakeholders like Industry Associations, Local Implementing Organizations, Training Bodies etc. cluster etc to formulate a workable action plan.

Revised proposal have been re-submitted to the IFW on January 2007(Rs. 41 crores instead of the initial Rs. 50 crores).

C. Promotion of ICT in Indian Manufacturing sector (SMEs)

13. The scheme relates to the promotion of ICT in Indian MSMEs with the objective of using ICT tools custom made for SMEs for the purpose of :

(i) ICT driven business applications through the adoption of Best practices.

(ii) Standardization of business processes across organizations.

(iii) Improvement in Manpower productivity.

(iv) Improved manufacturing planning processes and supply chains.

(v) Powerful executive information systems to facilitate pro-active decision making processes.

14. With a view to improving the competitiveness of Indian SMEs, it is proposed that ten or so clusters of SMEs which have quality production and high export potential should be encouraged and assisted in adopting ICT applications in their business. The CII, which is a partner in the project, has suggested a four-stage ICT adoption model for SMEs:

(i) Basic ICT infrastructure

(ii) Functional Automation

(iii) Process Integration, and

(iv) Business Integration

15. The majority of manufacturing enterprises in India is in the early stages of their ICT adoption in business, and hence is not able to improve business performance. The adoption of stages (iii) & (iv) of ICT applications, such as Enterprises Resource Planning (ERP), e-procurement, e-market/business, etc., require the help of experts that is sometimes more expensive than the ICT processes.

16. Therefore, the proposed scheme envisages that Government should assist the SMEs in adopting ICT applications. Under the scheme, the SMEs are required to provide, at their cost, the network infrastructure for 5 LAN Points, hardware, IT skilled manpower and annual maintenance, and Government of India will provide at its cost, ICT enabled business applications, software, implementation consultancy support, etc. The total estimated cost of the Programme is Rs. 264.65 crore, which is to be shared by Government of India (Rs. 160.25crore) and by beneficiary SMEs (Rs. 104.40 crore). The Programme is to be implemented over a period of six years. The revised cost is Rs. 160.25 crores with expected industry contribution of Rs.105 crores.

D. Mini-Tool Rooms proposed to be set up by Ministry of SSI.

17. The objective of this component scheme for Setting up of 15 new Mini Tool Rooms as Extension Centers of the existing Tool Rooms is to provide technological support to SMEs by creating facilities for design and for manufacturing quality tools and also to provide training facilities in the related areas resulting in improved competitiveness of the SME sector. This proposal would assist those SMEs which cannot afford to have captive Tool Rooms in tool designing and quality tool manufacturing. The establishment of a typical Mini Tool Room, at a cost of Rs. 14 crore, would enable the training of about 200 trainees and the generation of Rs. 1 crore worth of production of tools and consultancy services per year. The project is likely to be completed within five years and the expected benefit may commence from the second year itself. The total estimated cost for the establishment of 15 Mini Tool Rooms is Rs. 210 crore, out of which the Government of India share will be around Rs. 135 crore. The rest is to be borne by other stakeholders, including State Governments/Industries Associations, etc., in the PPP mode. The revised cost of this component is Rs. 135 crores and proposal has been re-submitted to IFW in March 2007.

E. Technology and Quality Management Support for SMEs.

18. Set up Task Force to Review and Implement Quality Management Aspects of the MSMEs. Incentivise Quality Implementation viz. 50 per cent of the cost for Training and acquiring certification, export mandates needs to be reimbursed. The revised cost is Rs. 84.15 crores instead of Rs. 93.50 crores proposed by the NMCC.

F. Support for Entrepreneurial and Management Development of SMES

19. Scheme under NMCP of NMCC to be implemented by office of the DC (SSI). The component relates to Providing Support for Entrepreneurial and Management Development for SMEs**,** is for assisting first generation entrepreneurs in establishing healthy enterprises by close hand-holding through incubators established by reputed technical institutions. The proposal envisages the establishment of 50 incubators every year, with each hosting at

least five micro and small enterprises. The proposal also provides for the upgradation of infrastructure and training of the personnel of the technical institutions concerned. 900 micro and 100 small enterprises are proposed to be assisted through the 250 incubators over the five year initiative which would be in the PPP Mode, with a projected expenditure of Rs.66.50 crore.

G. Enabling Manufacturing sector to be competitive through Quality Management Standards and Quality Technology Tools

20. The component for enabling Manufacturing Sector to be Competitive through Quality Management Standards and Quality Technology Tools is designed with the objective of sensitizing SMEs in respect of quality and technology upgradation with a view to enhancing their competitiveness. The activities proposed in this component involve the development of training course modules at college level by engaging consultants/experts, international study missions, assisting about 100 SMEs by building competitiveness though cluster projects, besides conducting awareness programmes. Wherever, individual enterprises are involved, 25% contribution from small enterprises and 15% from micro enterprises will be charged. Set up Task Force to Review and Implement Quality Management Aspects of the MSMEs. Incentivize Quality Implementation viz. 50 per cent of the cost for Training and acquiring certification, export mandates needs to be reimbursed. The revised cost is Rs. 45.25 crores.

H. National campaign for investment in Intellectual Property

21. This component relates to the launching of a National Campaign for Investment in Intellectual property. The objective of this component is:-

i. Creating IPR awareness to enable MSMEs to protect ideas/strategies.

ii. Utilization of IPR tools by MSMEs for technology upgradation & enhancing competitiveness

iii. Access to technical facilities & expertise for value addition.

22. The proposed activities include the conduct of awareness programmes and training courses, setting up of IT-enabled IT Advisory office, providing financial assistance to MSMEs to acquire patents, training programmes, etc. It is proposed to implement the scheme in PPP mode to the extent possible, at a total cost of Rs. 50 crores for the five year intervention.

I. Market assistance /SMEs and Technology Upgradation Activities – Ministry of SSI in co-operation with TIFAC/CSIR

23. The SIDBI operates a scheme Technology Development and Modernization Fund (TDMF) scheme for direct assistance of SSI for modernizing their production facilities and adopts improved and updated technology. Under the scheme assistances are available for purchase of capital equipment; acquisition of technical know-how, upgradation of process technology and products etc. evaluation of the Implementation of the TDMF to be undertaken on a priority basis.

Bar coding certification

24. Currently the scheme for assisting micro and small enterprises attaining of bar coding certification. It has been observed that MSEs find it difficult to meet the recurring liability of annual fees for continuing the Bar Coding certification. This component, therefore, provides for the reimbursement of 75% of the annual fee of Rs. 15000/- for three years, to encourage SSI units to obtain and sustain the bar coding certification. It is expected that about 750 micro and small enterprises would benefit from this intervention at an estimated cost of Rs. 0.67 crore. This would assist these beneficiaries in higher export realization and help the promotion of Indian value-added products world-wide. The revised cost is Rs. 26.50 crores.

J. Marketing support/assistance to SMEs. Support for Entrepreneurial and Managerial support of SMEs

25. This issue is also addressed in the proposed package of office of DC (SSI) for Micro and Small Enterprises. Apex marketing body to be set upon a PPP basis to undertake the marketing/brand promotion issues Encourage the involvement of all the stakeholders for the promotion of SME products. Empowerment of woman owned enterprises by way of participation in 25 exhibition and marketing facilitation. The selection of entrepreneurs for exhibitions/marketing tours abroad need to be expanded with more participation and frequency in a transparent way.

Markets Support/Assistance to SME

26. It has been decided that the proposal relating to market support/assistance to SMEs needs to be strengthened by way of conducting

seminars, pursuing of sensitization programme on various marketing techniques and tools etc. Set up Task Force to Review and Implement Quality Management Aspects of the MSMEs. Incentivize Quality Implementation viz. 50 per cent of the cost for Training and acquiring certification, export mandates needs to be reimbursed. The revised cost is Rs. 1.50 crores.

IV. Current Status of the NMCP

27. The NMCP, as conceptualized and formulated by the NMCC is a comprehensive SME revitalization Initiative. It is important to ascertain and assess the progress of the NMCP on a time bound manner to give fillip in its operationalisation. While giving in-principal approval of the NMCP (11^{th} Plan), the Planning Commission has suggested to re-design some of the schemes on the basis of response and demand of the concerned stakeholders, after sensitization and awareness programmes. Therefore it needs to be ensured that the suggested PPP mode (by increasing the beneficiary component) is worked out expeditiously. Renewed efforts need to be made to avoid overlapping of certain schemes viz. IPR awareness programme, Technology Upgradation etc, if being run by other Ministries and departments.

28. The NMCP aims to equip the SMEs to face the competition from firms both domestic and abroad. A holistic approach is being adopted to create a conducive environment through various integrated components (10) of the NMCP. The approach include firm level intervention for enhancing competitiveness; initiatives through packages including ICT, Tool Rooms, Design Clinics, Lean Manufacturing, Quality Campaign, Common facility centres, marketing etc. The NMCP is being energized by several policy initiatives which are being implemented for enhancing the growth and performance of the MSMEs viz.

- The MSME Act 2006,
- The Package for Promotion of Micro and Small Enterprises (MSE).
- Major push for credit guarantee fund (4 years), Credit flow has been energized and is being monitored constantly for allocating timely and adequate credit.
- Focus on Cluster based development by providing common facility centers for clean processes, technology, energy saving processes & skill adaptation, quality & testing etc.

- Establishment of risk capital fund, Portfolio Risk fund etc.

29. Further, the NMCP addresses issues on Technological obsolescence, infrastructural lacunae, Innovation, R&D linkages, Design, IPR, Marketing, and Rules and Regulation separately with practical (implementable) solutions. The 1st meeting of the experts and stakeholders for adopting a road map for building awareness on IPR was undertaken by DC, SSI and has recommended among other things;

- A 4:1 ratio, Government and Private sector for implementation.
- Inclusion of components of IPR, like trademark, copyrights, GI, industrial design in addition to patent.
- To set up an IP Advisory Cell at TIFAC.
- To fully utilize IPR facilities of DIPP, EU-India (TIDP), and NRDC in close cooperation

30. The Chairman NMCC has taken a meeting to assess the progress of the NMCP with the DC (SSI) on 21 March 2007. The Chairman initiating the discussion said that the NMCP is one of the initial ambitious programmes of the NMCC in one of the six thrust areas identified by the HLCM for renewed policy interventions. There is lot of expectations on the successful implementation of the programme with the combined efforts of the NMCC and the Ministry of SSI. He said the problems and issues related to the SMEs is a high priority item for the NMCC. He suggested that the issues and drawbacks regarding each of the 10 components of the NMCP may be listed out so that the NMCC can take it up with the concerned authority at the appropriate time. He also said that the DCSSI should update the progress and position of the components and kept the NMCC informed regularly.

31. The Chairman called for renewed efforts from the DC(SSI) to jump-start the various components of the NMCP in a big way with much larger allocations for the first year itself as it is concerning a large share of the manufacturing activities and providing employment and livelihood to a large mass of the population .

32. Shri Jawhar Sircar, the DC (SSI) highlighted the objective of NMCP and its 10 components which have been revised as per suggestions made by the Planning Commission and the EFC. The total cost of the revised 10 proposals is Rs. 852.90 crores. which have been submitted to the Finance Ministry. He indicated that since a PPP mode has been identified, there may be issues other than viability gap funding. He has requested NMCC to suggest a broader definition of PPP for the NMCP funding as it does not involve creation of infrastructure on a BOT basis.

33. Presently, out of the revised total cost of Rs. 852.90 crores, the first year allocation would be Rs. 40 crores in 2007-08. The ICT intervention would be done through the identified 200 clusters for which diagnostically study has been completed from a total of 2000 industrial development clusters spread over the country.

34. The design clinic scheme is to cost of Rs. 41 crore. The National Design Policy brought out recently has a broad perspective. He suggested that one of the schemes viz the Mini Tool Room can be taken up immediately, as for the SMEs, it is very much essential for making tools, casting dies especially for the plastic and toy industry, where SMEs may not have a captive tool room facility also most of the SMEs can not afford to have the tool room and additional expenditure of Rs. 2 crore. He said that the earlier tool room scheme has failed because most of them are catering to larger units.

35. Shri. Sircar suggested that to fully implement the NMCP with the active participation of the Private sector, the role of the SIDO need to be regulated to a great extent. He suggested that for speedy implementation of the mini tool room scheme, the private sector initiative may be sought after identifying the location for the mini tool room. The proposal is for setting up 15 new mini tool rooms under NMCP as extension centres of existing tool rooms.

36. Shri Rajeev Ranjan, JS NMCC suggested that the implementation model of the NMCP as suggested by the DCSSI by way of enhancing participation of the industry is acceptable and NMCC can actively involve with the DC(SSI) in expediting the implementation of the programme. He said a road map is to be laid out to achieve progress and implement various schemes simultaneously in a time bound manner so that cost and time can be managed. He said it is also important to identify the road blocks in advance so that preparatory work can be done to remove the same appropriately.

37. It has been agreed that renewed and concerted efforts will be made by the Ministry of SSI, DS (SSI) and the NMCC to rejuvenate the implementation process of the NMCP. All efforts will be made to expedite the financial clearances at the levels of Ministry of Finance (Expenditure Secretary level). The DC (SSI) will submit progress of various components to the NMCC periodically and the NMCC will be involved in the process.

The fourth agenda item: **Future Work Programme. Prioritizing Manufacturing Competitiveness Studies** The following are the highlights of the agenda item:

I. Background

1. The National Manufacturing Competitiveness Council (NMCC) functions as an inter-disciplinary and autonomous body to facilitate a continuous forum for policy dialogue to energize and sustain the growth and competitiveness of the manufacturing sector. The National Strategy for Manufacturing (NSM) evolved by the NMCC for enhancing the competitiveness of the manufacturing sector, envisions its operationalisation through active participation of various Ministries, industry associations, reputed research institutions, National and International experts, and key decision/policy makers of the manufacturing and its related sectors. The NSM delineates the sector-specific initiatives to be undertaken for enhancing the competitiveness at various levels including National, Sector/Industry as well as at Firm levels. Manufacturing is one of the key drivers of economic growth. A vibrant Manufacturing sector accelerates employment opportunities and augments the spurt of the knowledge and technology base, which in turn stimulates Innovation, R&D, and ICT the ingredients for future growth.

II. Global Manufacturing Competitiveness: New Goal

2. Achieving global Competitiveness has become the new goal for growing firms. Broadly Competitiveness constitutes three aspects in the case of firms, viz. high quality, lower cost, and quick deliverability. Their success ultimately depends on increasing the market share in the global arena, that is, the higher the global market shares, the better the level of competitiveness of the firms. Hence, competitiveness of the firms broadly indicates the overall competitiveness of the country, or the core competence to an extent. For attaining manufacturing competitiveness firms have been striving to adopt Best practices, process techniques and technologies, International quality standards and Global Benchmarks. This has become necessary for firms to attain higher growth and productivity and in turn increased share of global trade.

3. Globalization embarked with the advances in financial markets, information technology, lowering of trade barriers has been providing the impetus to the manufacturing sector, especially to the small firms in the developing countries like India to take the low wage, high-skill combination

advantage. To attain competitiveness, firms must understand and adopt the virtues in the Global Manufacturing networks, challenges and opportunities of global supply chain management, successes of enterprises operating in global environment. The increased global engagement also helps firms to interact with global counterparts, learn, and pursue a renewed strategy based on experience.

4. It is important to understand the prevailing competitiveness scenario in the global market, though dynamic in nature. This demands expertise from diverse fields such as manufacturing operations, management techniques, innovation and product development, sourcing strategies, supply chain, international trade, logistics and transportation. Indian manufacturing firms have been showing competitive edge due to its strength in technology, skills etc. Further, with reverse flow of knowledge-based investment, Indian firms are developing capabilities like product innovation, manufacturing quality, and process innovation giving them competitive advantages.

III. Research Focus: Manufacturing Competitiveness Studies

5. For India, the Manufacturing sector is crucial for providing jobs for the large work force entering the job market every year, particularly from the rural areas. At the current annual growth rate of 9 per cent, the manufacturing growth must be at least 12 to 14 per cent. Hence, as emphasized in the NSM, NMCC has been emphasizing giving priority to labour intensive sectors in policy and action plans, which has potential competitive advantage, such as Textiles & Garments, Leather & Leather Products, and Food Processing, IT and Hardware and SMEs and Cluster. These sectors are prone to various problems and constraints, which needs to be removed to encourage them to perform at potential to attain global competitiveness. The issues are with respect to structure and size (scale), technology gaps, modernization needs etc. These are being addressed with the help of sector specific strategies with cooperation and active involvement of the respective Ministries and the concerned stakeholders in each of the sectors.

6. The thrust areas identified are sectoral and enterprise level initiatives, innovation and technology development (R&D), entrepreneurship promotion, infrastructure enabling facilities, trade and fiscal policies and employment generation. Further, to attain the competitive edge in ‘manufacturing’, it is vital to mitigate constraints; such as infrastructure, transaction cost, higher interest, power and regulatory issues, technology upgradation, market access, duty structure, managerial practices and competitive scales etc. These need

to be taken up by the active involvement and closer interaction amongst stakeholders viz; industry, input providers, financial institutions, education, research, and management institutions, and policy makers. The long-term growth target also envisages innovative programmes and policies which move deeper into the manufacturing system to revitalize the growth process viz the National Manufacturing Competitiveness Programme (NMCP), conceptualized for rejuvenation of the SMEs across the country.

7. The NSM adopts a twin approach simultaneously intervene with initiatives at Macro-policy level and encouragement at the firm level through advanced technology and management best practices and techniques, which are being implemented through various development institutions/agencies in the respective fields. Maintaining firm level competitiveness is equally essential by building abilities to acquire, assimilate, develop new technologies; reduce production costs; cut down delivery time; practice Total Quality Management; enhance productivity and customer service. The competitiveness to an extent depends on the effectiveness with which countries promote the development of technological and managerial capabilities. Recognizing this vital link the NMCC has undertaken many measures including undertaking research studies to gather valuable inputs which can be fruitfully disseminated through various stakeholders.

IV. Future Work Programme of the NMCC

8. The NMCC has also been undertaking macro-level, sector-wise and firm-specific studies to assess and understand the ground realities of the competitive scenario and position the competitiveness level of Indian firm's vis-à-vis that of the globally leading counterparts. At one level, the NMCC has been engaging with the decision makers and the stakeholders for formulating long-term action plan for stimulating a growth path for the sub-sector concerned. A Mission mode approach is being followed for implementation of the Action Plans to improve efficiency and productivity in respect of some of the sectors. Further, these sub-sectors will also be studied thoroughly to re-position them in the global competitiveness context. In this, as prioritized by the HLCM of the NMCC, in the first phase, the sectors like the Textiles and Garments, Leather and Leather Products, Auto Components, Food Processing and IT Hardware, SMEs would be selected for detailed study.

V. Macro-level Studies

9. The macro-level studies would be undertaken to give an overall competitiveness position of the country in general and also to understand various State's competitiveness status in terms of their inherent advantages etc. To stimulate a competitive urge it is important to provide the necessary climate by removing the roadblocks and impediments at the national level so that an overall competitive environment is created across the country. This involves harmonizing tariffs, duties, local levies, Octroi etc. for providing a conducive atmosphere for investment and growth. In this context, it is important to undertake a detailed assessment of various kinds of impediments, fiscal and administrative, prevailing across the country. This also helps to understand the strengths and advantages existing in certain zones so that specific industries may be streamlined with required support.

10. Another key area of macro-level studies to be carried out is issues involving specific tariffs to be fixed and duties to be bound in various manufactured inputs and finished products, for giving the required level playing field for the domestic industry. In this context, it is necessary to understand the impact of the emerging WTO (NAMA) issues and the issues regarding the existing and the future FTAs and RTAs between various countries on the competitiveness of the domestic manufacturing industry.

VI. Sectoral/Industry level Studies

11. Sector-wise and sub-sector specific studies would be undertaken to delineate the core competence of certain segments of the manufacturing industries situated in various industrial zones. The sector-wise studies help to examine the growth potential, in terms of increasing market (global and domestic) share and the aspects related to employment opportunities. In this direction the NMCC has identified sectors like Textiles & Garments, Leather, and leather products, Food processing the automotive industry as one of the priority areas for focused intervention. The sector has been growing and it has higher potential for growth employment generation. The intrinsic issues need to be examined in detail to assess the growth and competitiveness of the sector. Enhancing sub-sector level competitiveness is the key for achieving growth. Hence it needs to be identified the type of encouragement such sub-sectors are looking for to move forward on the growth path quickly. The sub-sector wise engagements are part of the national strategy for enhancing

competitiveness of the manufacturing sector and will feed into the overall manufacturing strategy appropriately.

12. The NMCC's sector-specific studies examines among other aspects, whether India can emerge as a major player in the global market in a specific sector on the basis of its performance in the domestic turf, potential entrepreneurial talents, inherent technological and innovative capacity, and openness to foreign investment. The studies also tries to assimilate the factors contributing to the competitiveness viz. cost, productivity, prevailing policy regime. Achieving a significant portion of the global market share is the aim to enhance competitiveness; hence the studies also explore the global best practices and process and technology benchmarks achieved by the globally leading counter parts in the respective areas in the developed countries.

VII. Firm-level Studies

13. To build capabilities and capacities in advanced areas of Global benchmarking and adoption of global best practices in manufacturing is one of the thrust areas of the NSM. This sort of continuous dissemination process is essential for ensuring sustainable competitiveness to the vast majority of the firms, especially small and medium units. In this regard, a Manufacturing Advisory Service has been envisioned and which would be established by jointly working out the modus of operation, content, and delivery etc by the Government and the Industry to disseminate practical solutions on real time to the manufacturing sector.

VIII. Technology-Skill Development Studies

14. Technology and Innovations form the base for building up a competitive manufacturing sector. The NMCC has been pursuing policy level support through various instruments to provide encouragement for R&D in various sectors to boost competitiveness. In order to identify the technology gaps and appropriate technologies to be adopted at various manufacturing areas, it is necessary to carry out a through review of the existing technologies in the manufacturing sector. Keeping this in view, competent organizations will be approached to undertake Technology studies in specific sectors to assess the ground realities, issues and also to benchmark with the technology frontiers in the advanced countries in the respective sectors. Dissemination of advanced

technology know-how and knowledge base is critical for continuous improvement of certain manufacturing sectors.

16. Development of talents and skills is crucial for sustaining competitiveness. Most of the manufacturing sectors are reeling under the stress of skill scarcity, especially at the operative level having expertise and experience in advanced tools and techniques in manufacturing. Hence, it is necessary to understand the status of skills- both availability and gaps in various manufacturing sectors. In this context, it would be ideal to undertake a detailed skill gap study with a view to foresee the future demand for various skills, existing and emerging and the required steps to be undertaken for providing the same.

IX. Studies on Manufacturing Competitiveness Index

17. Manufacturing Competitiveness Index studies are being carried out to assess the competitiveness strength of specific industries or regions so that the valuable inputs can be used to formulate policy guidelines. In implementing the NSM the State's role is crucial in creating the necessary conditions for competitiveness, as the various economic activities takes place in the State. The NMCC has been closely working with the States for evolving specific manufacturing strategies for enhancing the competitiveness. As far as the economic status of various industries and states are considered, there exists considerable variation between the competitiveness in different sectors in different States induced by various factors viz. facilitation for investment, progress of the infrastructure, advancement in human resource capabilities, reform initiatives etc.

18. In this context, for augmenting the State level competitiveness, it is important to evolve a manufacturing competitiveness index exploring various aspects to revitalize their industrial sector. The aim is not only provide a clear understanding of the current status of the State's core economic actors, but also give pragmatic directions for streamlining their future policies in a progressive manner with a long term vision.

X. On Going Studies/Surveys:

19. As mentioned in the Agenda Item No.5 of the 7th Meeting of NMCC, the ongoing works are under various levels of completion and are being closely monitored by the NMCC for the required feedback:

- **Third National Manufacturing Competitiveness Survey of Indian Firms undertaken by Indian Institute of Management, Ahmedabad.**

20. The Indian Institute of Management, Ahmedabad has been entrusted with the work of undertaking the third National Manufacturing Survey with emphasis on the "innovation and technology", to understand the R&D details of the firms in line with the NSM of the NMCC. The Institute has already circulated the detailed Questionnaires to be completed by March 2007. The feedback from the Institute on the above Survey is expected shortly.

- **Monitoring of the Indian Manufacturing Sector to be done by Centre for Monitoring Indian Economy (CMIE):**

21. CMIE has been extending online database services to the NMCC under its I-Cube module broadly under three heads of supportive services which include Macro Economic databases, Sectoral databases and Firm-level databases. Apart from this CMIE also provides its Regional Monitoring Service, which presents a monthly review of the recent trends of the major States of India. Further, CMIE has been requested to provide customized solutions, which are in tune with the needs of the NMCC and also monitoring reports of the following sub-sectors in terms of growth and productivity, innovations, R&D, employment, export, technology, etc. The NMCC has been closely interacting with the CMIE on and these reports which are in various stages of preparation.

- **Research Study on "Competitiveness of Indian Automobile Industry" to be conducted by the Indian Council for Research on International Economic Relations (ICRIER).**
- **Labour Intensity and Employment Potential of Indian Manufacturing to be conducted by the Indian Council for Research on International Economic Relations (ICRIER)**

22. The Indian Council for Research in International Economic relations (ICRIER) has been assigned above studies. The preliminary findings of the studies were discussed in the NMCC and certain inputs were given to guide the study with respect to specific requirements and priorities of the NMCC. The draft reports on the above studies are expected shortly.

- **Study on Productivity and Export Competitiveness of Indian Manufacturing Sector by National Productivity Council (NPC).**

23. The National Productivity Council (NPC) has been assigned to carryout this study to identify the factors that boost (or hinder India's competitiveness in select manufacturing sectors. The selected sectors are: (1) textiles & garments (2) leather & leather products (3) auto-components (4) food processing (5) IT hardware & electronics (6) drugs & pharmaceuticals (7) gems & Jewellery and (8) chemicals & petrochemicals. While the NPC has furnished the draft report on the textiles & garments sectors, a similar report in the Food Processing Industry is expected shortly.

XI. Award of studies /Surveys and availing of Consultancy Services in identified sectors for enhancing manufacturing competitiveness

24. In pursuance of the work programme of the NMCC -discussed in the 5th and 7th meetings of the Council held on 5th April and 18th December, 2006, which included undertaking sectoral studies to identify major bottlenecks impacting industrial competitiveness, the NMCC had given an advertisement in the Economic Times and the Times of the India on all India basis on 27th November, 2006 inviting Expression of Interest from the reputed consultancy organizations/ research institutions to conduct studies in the identified priority areas for enhancing manufacturing competitiveness for NMCC.

25. The National Strategy for Manufacturing (NSM) recommendations elaborate the specific initiatives to be undertaken for enhancing the competitiveness of the select sectors, both at the national and sector/industry level. In order to understand and assess the competitiveness position of different manufacturing sectors on a continuous basis, we need to take up studies/surveys in the areas of importance identified in the NSM. In this connection, several studies have been planned to be commissioned by the NMCC. The Council has already engaged some of the reputed institutions to undertake studies in the important areas.

26. In response to the above advertisement 23 firms/ Companies had expressed their interest in undertaking above assignments for the NMCC. After the initial screening of the papers/documents submitted by the Firms/ Companies, they were asked by this Council on 28th December, 2006 to send their proposals in the areas of their core competence from the list of specified areas wherein the NMCC would like Studies/Surveys to be conducted or avail

of the Consultancy services. They were requested to respond by 10th January, 2007.

XII. Criteria adopted for evaluation of the firms:

27. The parties were evaluated/ assessed broadly on the following criteria:

(i) General Criteria

(ii) Organizational structure and constitution

(iii) Core business and duration of business

(iv) Technical and managerial capability of the firm

(v) Performance record of the last five years.

(vi) Methodology and work programme for the proposed assignments;

(vii) Experience in the field of assignment and qualification of key team members to be deployed in the work (full time & part time separately);

(viii) Likely time period indicated to complete and submit the report for each sector/ subject.

28. A list containing some of the illustrative areas identified in the NSM and approved by the Council in the above meetings for taking up specific studies was also sent to the firms/companies **(Annexure-"A")**.

29. Eighty two (82) proposals were received from 22 firms **(Annexure-"B").** The companies responded include Deloitte Touche Tohmatsu, Chennai (4 proposals), TATA Strategic Management Group, Mumbai (4 proposals), ICRA Management Consulting Services Limited, New Delhi (9 proposals). On going through the proposals received, it was noted that most of the firms had shown interest for conducting more than one study. While some of the firms had quoted their fees/charges for undertaking a study, the others stated that they will quote the fee chargeable after having a discussion with NMCC on the requirements.

The proposals were assessed on the following criterion:

a) Objective and purpose of the study/survey

b) The process/approach & methodology to be adopted for carrying out the assignment.

c) Benchmarks & Monitoring framework

d) Outcomes/deliverables

e) Timeframe (task-wise)

f) Action plan

g) Budget/fees quoted)
h) Past and ongoing projects undertaken by the firm in the last 3 years (studies/surveys/consultancy)
i) Relevant Experience in the sectors/ proposals
j) Scope and coverage of work
k) Implementable recommendations
l) Project engagement team and their CVs

30. Since the proposals were not complete and more information such as deliverables, outcomes, implementable recommendations, time frame, fee chargeable, estimated cost of the job and other terms & conditions was needed and accordingly the firms/companies were invited for discussions and to make Power Point Presentations to NMCC on their proposals in order to assess their competence, resources available at their command, methodology to be adopted, CVs of the team proposed for studies/surveys and to make them understand with our requirements/time frame etc. Accordingly, a schedule was prepared and the companies were invited to make presentations from 8th to 26th February, 2007.

31. On the basis of the Power Point Presentations made by the representatives of the companies and subsequent discussions held with the Team of Officers of NMCC, the companies were asked to modify their proposals in line with the requirements of the NMCC and re-submit the same. While some of the companies have sent in their revised proposals, response from others is coming in.

32. In line with the NMCC's priorities and the requirements, a Group of Officers in the council have short-listed cetain proposals for award and the rest would be taken up in the 2nd round.

33. A presentation was made to the Chairman, NMCC on 9th March, 2007 wherein details of the companies who expressed interest for undertaking studies, proposals received and subsequent PowerPoint Presentations made by the representatives of the interested firms and discussions held in NMCC for taking up assignments were explained at length.

34. The Chairman, NMCC approved the criteria adopted for selection of the firms and the methodology adopted by the NMCC for shortlisting of the proposals and the firms. He also approved the proposals short-listed for assigning studies on priority basis. It was also approved that the low priority proposals wherein more clarifications/modifications were required could be

assigned later in the second round in the next financial year. It was also desired that one more round of discussion could be held with the firms of the above short listed proposals before awarding the assignments and further modifications, if any, shall be carried out to the proposals in line with the specific requirements of the NMCC.

35. Since, the proposals did not contain the details of the cost quoted for undertaking the assignments, key personnel, man-months etc. the NMCC has asked all the firms to send the specific Budget details alongwith the details of the key personnel, their roles and the man-months that they are proposed to be deployed on the project alongwith the task-wise time frame for conducting the studies/ Surveys. The details asked for by the NMCC are being received and are being processed in the NMCC.

Following Points were made by the Council Members:

On Skill Development

Shri Venu Srinivasan raised the issue of Public Private Partnership in the education sector to expand the skill base. He said that there exists a dearth of high quality technical leadership in India. The foreign universities like Warwick and Perth have very low participation of Indian students compared to China. To improve the supply of skilled labour force urgent steps are required to be taken in the PPP mode. He said that China is engaged in a big way in higher knowledge areas and treasury education adding that action needs to be taken on a priority since the amount of money that China was investing into the up-gradation of their educational programmes and the quality of education being imparted would create unfair advantage in terms of knowledge base. The knowledge edge that India presently has would be lost since China would catch up with us soon. He said that this is a serious issue that our educational institutions are inadequate and the threat that the manufacturing sector faces from China will be replicated in the knowledge sector as well very soon if this issue is not addressed.

Shri Habil Khorakiwala, President FICCI and Member of NMCC while supporting the points raised by Mr. Srinivasan said that NMCC needs to take up educational reforms. He said that there needs to be public private partnership models, government public private models as also private universities set up in India to fill the wide gap in the skilled manpower. Private initiative should come in a big way in establishing world class universities, which need to be regulated and supported with ample freedom.

Mr Khorakiwala further informed that FICCI has taken initiative in adopting 500 ITI's and looking forward in improving to courses and curriculum.

Shri Mukesh Kasliwal said that the private sector's mind set need to be changed for providing training in skill development. Though, some of the technical institutes have resources yet capability decisions are not forth coming for improving the courses and curricula. He said that one can not stop the students from joining the BPO or IT based courses. He suggested that in case of textiles and garments the clusters model as envisaged in the textile park scheme would be ideal

Shri A.M. Naik stated that Skill shortage is a growing problem and the only solution is to train more people through public private partnership (PPP) model. He pointed out that the tendency to go abroad and look for greener pastures is also adversely affecting the quality of skilled manpower in India. He said that the highly qualified engineers are being attracted towards the outsourcing industry and the quality of skilled manpower in terms of engineering etc. which was being utilized by the multi-national companies is also creating a huge deficit. He said the Government needs to do something on this issue.

Shri Naik said that the point needs to be debated whether the outsourcing industry is actually benefiting the economy or not since we are supplying the brains to these companies and not tapping the potential of skilled manpower for our own domestic needs. He said that there was also a dearth of skilled workers and labourers on account of the huge productivity in the Gulf countries and the Indian labour is the backbone of their productive endeavours and a lot of skilled manpower is being utilized over there. He said that the answer to such a situation lay in multiplying and intensifying the training facilities and that there should be a greater adoption of IITs by the private sector and he said that L&T had taken several initiatives at their level also but it needs to be widespread phenomena. He said that there was a high attrition rate of about 25% in the various sectors spread over all industry and he said that the solution to these problems was extensive training.

Shri R. Sheesayee said that for improving the skill scarcity it is important to make skill a bankable proposition, like creating skill development banks followed by other related institutions for accreditation, quality, standards, benchmark etc. adding that the deliverable process needs to be made more efficient.

Ms. Ishar Judge Ahluwalia said that Skill development is an important issue for enhancing manufacturing competitiveness. It is important to examine in more details as to what kind of constraints the industry is facing in this context.

Shri Jawahar Sircar, the Development Commissioner, SSI participating in the Meeting as a Special Invitee, said that clarity was required in the skill development area as a number of agencies were working this area. The skill development at the lower end is a bunch of skills that grows up to a level and is imparted through tool rooms by way of six month courses.

The Chairman, NMCC commented that the skilled development issues have been taken up at various fronts including Labour Ministry, Planning Commission etc. It is important to have consistency in policies for providing skilled labour force to all sectors in the economy. He mentioned about the announcement in the Union Budget in this regard. He said that even the Bush Administration in America was generating huge sum for higher education for improving the competitiveness and advantage of USA in the knowledge economy.

On Capital Goods

Shri A.M. Naik raised up the issue of addressing certain inherent distortions in the capital goods sector which he said was not given due attention by the Government and said that the large scale of imports of Chinese goods is also affecting this market and the Chinese currency which is rated at a low price needs correction to the extent of about 20% which make these imports a big problem for the industry. He said that the capital goods manufacturers have no voice and their problems need to be paid attention to. He also took up the issue of nuclear power plants and said that the building block for nuclear power plants are nuclear reactors and their core is heavy forging. He said that the ship-building industry was non-existent in India which is a very disappointing reality. While commenting on the SEZ policy, Shri Naik said that the Government must take lead in earmarking the land for prioritizing investment in infrastructure and industry. In the on going SEZ and EPZ led industrialization policy, non competitive bidding is being carried out for acquiring the land. He said that the building of power equipment In India is also facing unequal competition from Chinese import since it is being done on the terms and conditions of Chinese which is making the competition one-sided. He said that the NMCC need to come out with recommendations for enhancing competitiveness in the key sectors like the capital goods, power equipment , ship building and nuclear forging technology.

The Chairman, NMCC responding to Shri Naik's remarks said that these issues had been discussed at length with Mr. Naik and was very appreciative of the points made. The Chairman assured that the issues raised by Shri Naik will be taken up for further action. He also mentioned that the power sector performance has been disappointing in recent times. Concerted efforts are required from various quarters to accelerate power generation, which is the most crucial ingredient for the industrial growth. He said with reduction in duties a large quantity of high-tech equipments are being imported but it is to be ensured that we have enough trained people to maintain them. He further stated that none in the government perceives the capital goods as an important area since they feel it is a small area. This perception has to be corrected and the sector has to be given adequate thrust.

On NMCC's Focus Areas

Shri Bibek Debroy said that in terms or NMCC's role, he saw three areas where NMCC was required to intervene on priority:

- Manufacturing growth of 11.5% which is contingent on export performance. It is to be examined what happens if there is a slow down in exports to the manufacturing growth.
- In the context of rising interest rate it would be important to know whether this will hurt the manufacturing growth as happened in 1997.
- Complications in the area of indirect taxes is also an issue, which NMCC should take up.

Ms. Ishar Judge Ahluwalia, in her intervention said that whereas she agreed with these points but she feels that NMCC should focus on issues relating to competitiveness in the medium term and it need not be get distracted to topical issues. . More time and effort need to be channelized in exploring these issues. She said the NMCC has been doing good work and it is important to speed up the implementation machinery. The two major issues are: general infrastructure especially power and skilled development. Policy formulation is needed for power sector. Since July 2006 the situation is deteriorating. There is need for different stake holders such as the Ministry of Finance, Planning Commission and the NMCC to work together. Regarding the SEZ, the importance of manufacturing sector need to be clarified, she further suggested for exploring the possibility for setting up of a SAARC University which can be a boost for skill development.

She said that in addition to implementing policies, there are certain other issues which only NMCC can take up. She said that if NMCC doesn't address the tough problems like the infrastructure problems in power sector and its implementation by the Ministry as also the issue of SEZ and how it is helping manufacturing and the very important issue of skill development. She was of the view that these are areas where NMCC can contribute meaningfully. She said that it is a difficult challenge to bring reforms in existing units. However to introduce reforms in new units is a much easier.

Shri R. Sheesayee in his remarks said that the main issue of concern to the industry as indicated by the Chairman is whether the growth is sustainable. It seems there could be a slow down due to slackening of business confidence in the coming months due to decline in capital formation. He further stated that there is a need to provide a global scale base for capital goods. He said that there is nothing wrong in giving a package of incentives for promoting entrepreneurial leadership. The goal was to move towards global scale for competitiveness but in most areas India does not have the scale advantages, as in the case of textiles. He suggested that it should be made amply clear that the SEZs are meant for creating world class industry infrastructure for achieving global competitiveness. There is a need to create fiscal space for reducing the risks and investment in infrastructure need to be supported by identifying selectively as PPP may not be always bankable. The cluster development approach as emphasized by NMCC can be encouraged in the case of textiles etc. The capital goods industry needs more investment for improving its competitiveness.

Shri Habil Khoklawal said that the pattern in industrial growth was changing adding that several labour intensive sectors like Food Processing Industry, Textile were not showing adequate growth, thus making the overall growth lopsided. He said the NMCC need to encourage these sectors through interventions for maintaining the current level of industrial growth. He said that labour reforms were part of the problem but there are several other endemic problems which need to be looked into. He stated that inverted duty structure was another problem area concerning the industry. He said that in the Budget 2007-08, there were several cases of inverted duty structure and the FICCI has identified about 20 product groups where inverted duty structure prevailed. There is no duty difference between imported and local items adding that FICCI would send the list to NMCC for its intervention.

The President FICCI stated that the NMCC must intervene in the area of power reforms for the growth of manufacturing sector. He said Power Ministry has been able to meet generating capacity targets by 50 per cent only in the 10th Plan. The power shortage has not only become persistent but the problem is increasing day by day. In January 2007 power shortage where 12.4 per cent compare to 11 per cent a year ago. For growth of Power sector he suggested that Government should consider fiscal incentives like tax holiday, additional depreciation and abolition of 16 per cent excise duty / countervailing duty on power generation , transmission and distribution equipment for projects with thousands mega watt capacity in lying with the mega power project capacity. He said in the case of pharma control price mechanism and restricted price policy, regressive price mechanism are issues that need attention. He offered to make available a FICCI study in the area of manufacturing sector for the use of the NMCC.

Shri Neotia raised the issue of non-availability of money from banks which was leading to slowing down of investment. He said that the government delivery systems were not working and there should be some NGOs which should be engaged along with the government mechanism to improve the delivery systems. He said that the Budget allocations need to be spent and utilized adequately so that stabilization process takes place.

The Chairman, NMCC said that the priority areas which NMCC was looking into were all export oriented like the Food Processing Industries, Leather, and Textiles etc. These areas were also important for generating employment opportunities. He said that the situation can improve only with the tremendous amount of effort and the administrative ministry needs to take expeditious action.

Shri Jawahar Sircar explaining about the delay in implementation of the NMCP the DC(SSI) stated that the Planning Commission had suggested to revise the 10 components of the programme viz design clinic, lean manufacturing, IPR, quality campaign etc. Initially project proposals worth of Rs. 1000 crore for a period of five years were submitted but so far only Rs. 17 crore have been allotted for the 2007-08. He further stated that the financing of SMEs is a critical issue. The limited liability partnership issue is getting attention.

<u>On Food processing Sector</u>

Shri R. Gopalan, Chief NMCC, gave a brief on the action plan on the Food Processing Industry sector which was recently finalized by the Empowered Sub Committee of the HLCM. He stated that the plan is focused on policy intervention at the cluster development for food parks, slaughter houses, refrigeration – cold chains, street hygiene food sale (Calcutta model). He said the issue is how much investment is going to come up, if the PPP model is adopted. On the policy side, he said the issue of cold chain, the PPP model for setting up of cold chains and the policy for single market for food products in the country were certain policy issues which had been taken up with the Ministry of Food Processing Industries. Chairman, NMCC said that it is a joint initiative with the Ministry of Food Processing these issues will be pushed through by the NMCC. The aim is to make a beginning so that the success can be emulating later.

On Textile Sector

Shri Rajiv Ranjan, Chief NMCC, briefing the members about the developments in the Textile Sector said that the Action Plan prepared by the Ministry of Textiles had identified 5 core areas viz Apparel and Garments, Fibre availability, Skilled Development, Textile Machinery and Technical Textile for intervention. The Vision 2015 worked out by the Ministry of Textile has emphasized the need for making available the Man made fibre for attaining larger global market share. For skilled Development the Ministry is finalizing a training and Skilled Upgradation Progamme. Technical Textiles has been identified as a potential area for further growth. The two flagship programs viz. Scheme for Integrated Textile parks (SITP) and the Textile Upgradation Fund Scheme (TUFS) have been extended in the current Budget and may require modifications. It has been suggested by the NMCC to focus on new and emerging areas for ensuring growth.

The Chairman, NMCC said that besides this, two areas of concern were IT Hardware & Electronic and Leather. Leather has shown negative growth which was inexplicable and this was brought to the notice of Commerce and Industry Minister and Secretary DIPP and they are trying to retrieve the situation. He said that the demand in the sector was very high and there were certain inherent benefits that India had in this sector which needs to be exploited for boosting this sector. The other area of concern was the IT industry which requires to be given high priority.

Shri Amit Mitra, Secretary General, FICCI, participating in the meeting as Special Invitee, thanked the members of NMCC their valuable inputs which were helping in their economic studies on various sectors. He said that the Budget proposal on venture capital funds will have impact on the SMEs sector. The tax benefit would now be available only in respect of investments in domestic unlisted companies engaged in these specified 9 sector only. Which may adversely effect the growth of the SMEs in areas like medical devices, auto components etc. He said applications of software for the benefit of manufacturing sector should be brought to focus. He said that the venture capitalists of India were being discriminated against. He said that there was a lack of entrepreneurial information, market intelligence and information centre. He said that we need to set up global exchange, fine clusters and NMCC can help these projects to move forward. He said that he could give detailed papers for helping NMCC achieve these targets. He also raised the issue of big manufacturing companies and that NMCC shall be empowering such companies to boost manufacturing.

The Chairman wanted the total impact of the Indo-US nuclear agreement to be assessed in view of the linkages for the manufacturing sector. The forging industry may benefit from it. He said a task force could perhaps be set up for the Forging sector as things become clear. He said software applications for the manufacturing sector India is minimal and it is necessary to move up the value chain. He also appraised the members about the exercise of undertaking various studies by the NMCC and the future work programme. He said the NMCC over a period of time, had accessed the stored knowledge of selected Ministries by and large and the studies being considered will enable this knowledge to be processed for policy interventions and further value addition.

Annexure- 'A'

List of Illustrative Areas for conducting Studies/Surveys

1. Survey of Indian Business Climate to understand the economic and business fluctuations at the macro level.
2. Lowering Cost of Manufacturing.
3. National Vocational Educational Qualification System
4. Re-engineering Procedures (Minimizing Transaction Costs)
5. Enhancing Competitiveness of Un-registered Firms (Global Best Practices)
6. Low Productivity of Labor (PSUs)
7. Firm level Competitiveness (Strategies & Road Map Development)
8. Lean Manufacturing Advisory Center
9. Development of MIS for the NMCC
10. Derive the Manufacturing Competitiveness Index (Sectors/States).
11. Monitor trends in total factor productivity of the manufacturing sector in India – based on work earlier done by National Productivity Council (NPC)

12. Identify the relationship between Export performance vis-à-vis Growth and Productivity in the Indian manufacturing sector
13. Survey of literature on innovation and technology transfer issues relevant to Indian context.
14. Implications of FTAs on the competitiveness of Indian manufacturing industry.
15. Analyzing and working at a Composite competitiveness Index based on various Competitiveness Indices like Global Competitiveness Report, IMD's World Competitiveness Year Book/World Investment Report etc.
16. Identification of Labour intensity of various manufacturing sectors of the Indian economy.
17. Employment potential of manufacturing sub-sectors
18. Statistical base/validity/relevance of Index of Industrial Production (IIP)
19. Indigenous manufacturing in the Defence sector.
20. Offset principle to be explored in the Defence and other high value procurements.
21. Cluster development studies and implementation issues in consultation with all stakeholders.
22. Prioritization and matrices of manufacturing sub-sectors for medium to long term growth potential to be created.
23. **Comprehensive Skill-Gap Survey** with the following objectives:
    - ✓ To assess the structure and status of manpower situation in various sectors.
    - ✓ To study the institutional requirements for restructuring the manpower training needs
    - ✓ To form a continuous mechanism to monitor and reorient the manpower and skill requirements in the manufacturing segments.
24. **Work on Advanced Technology Products (ATP)** for detailed identification of leading edge products from an acknowledged high-technology industry to be classified under ATP and harmonize them with the codes of the Indian Trade Classification (ITC) and national Industrial Classification (NIC)-2004 so as to build a regular data base on the manufacture and trade of ATPS in all the ten field

Annexure "B"

List of the Companies submitted proposals for conducting studies

1. Deloitte Touche Tohmatsu, Chennai
2. TATA Strategic Management Group, Mumbai
3. M/S CRISIL Infrastructure Advisory, Mumbai
4. ICRA Management Consulting Services Limited, New Delhi
5. Federation of Indian Chamber of Commerce and Industry (FICCI), New Delhi
6. Rajiv Gandhi Foundation (Rajiv Gandhi Institute for Contemporary Studies), New Delhi
7. Indian Institute of Foreign Trade (IIFT), New Delhi
8. National Productivity Council, New Delhi
9. Cluster Pulse, Ahmedabad
10. National Council of Applied Economic Research (NCAER), New Delhi
11. Centre for Research, Planning & Action, New Delhi
12. Cygnus Business Consulting & Research, Hyderabad
13. SEE-Tech Solutions Pvt. Ltd, Nagpur
14. Santek Consultants Pvt. Ltd., New Delhi
15. March Marketing Consultancy Research, Hyderabad
16. Development & Research Services Pvt. Ltd., New Delhi
17. Spectrum Planning (India) Ltd., New Delhi
18. Market Pulse, New Delhi
19. INDICUS Analytics Pvt. Ltd., New Delhi
20. Scientific Applications for Advancement of Industries (SAAI) Consultants, New Delhi
21. JPS Associates, New Delhi
22. DKTE Society's Textile and Engineering Institute, Rajwada, Ichalkaranji, Distt. Kolhapur (Maharashtra).

Government Initiatives to Strengthen SMEs: Policies & Programmes

SMEs Contribution

- Caters to about 40 per cent of total industrial production
- Covers almost 95 per cent of total Industrial Units (Over 12 million)
- SME manufacturing accounts for 13 per cent of GDP(US$ 104 billion)
- Includes wide range of (Over 8000) Products
- Over 21,400 ISO 9000/14001 certified Units
- Employs around 29 million persons (about 86 % of total employment)
- Contributes about 34 per cent of exports

Ensuring the competitiveness of Small Scale sector has been one of the thrust areas of the NMCC's NSM, as the SMEs has been considered the backbone of the growing manufacturing sector. Hence, a dynamic SME sector is a minimum necessity to enhance the competitiveness of the industry, especially the manufacturing sector as a whole. With growing competition, the opportunities for the SMEs have also been increased, provided they transform to increase their share in global as well as domestic market fronts.

SMEs for Employment Generation

The MSMEs employment generation potential has been recognized in the Approach Paper to the Eleventh Five Year Plan. The MSMEs along with other non-farm enterprises would create employment opportunities for 65 million additional workforces during the Eleventh Five Year Plan. This sector is expected to create employment opportunities at annual rate of 5.8 per cent against 4.6 per cent realized during the Tenth Plan. While the employment in the organized sector recorded a virtual decline, the labour intensive manufacturing sector is expected to absorb about 10 million surplus manpower of the agriculture sector during the 11th Five Year Plan.

The employment intensity of the segment (registered units) is 1 person for every 1.49 lakh of rupees invested in fixed assets, as against 1 person per Rs.

5.56 lakh in the large organized sector. And, the rate of growth of employment in this segment is well above that of the population of India (1.5 per cent) or, that in the large industries segment (0.85 per cent). During the Tenth Plan period, the SMEs average annual growth rate of employment has been 4.57 and that of the number of units has been 4.33 per cent. If the units in the khadi, village industries, and coir industries are also taken into account, the employment is well over 332 million.

Growth and Performance of SMEs

There are 12 million small enterprises in India providing employment to 29 million people contributing 39 per cent of industrial production and 34 per cent of the direct exports of the country. The Small enterprises of India produce almost 8,000 items ranging from conventional products to high-tech components being used by different sectors. The MSMEs make significant contributions in sectors like agro-food processing, light engineering, electrical industry, readymade garments, pharmaceutical industry, chemical industry, leather, ceramics, and information technology etc. Over six thousand products manufactured by the SME segment include several sophisticated items used in high technology areas like nuclear power, missile and space programmes, information technology, biotechnology, etc. The level of exports by this segment also testifies to its overall competitiveness in the global markets.

The Third Census 2002-03 of Small Scale Industries (SSIs) has reported that over 99 per cent of manufacturing SSIs are tiny (micro) units, with the upper ceiling of investment in plant and machinery as Rs. 25 lakh (as per the MSME 2006), the Census reveals that 98 per cent of these enterprises have investment in plant and machinery less than Rs. 2 lakh. But they provided employment to over 28 million people and account for about 40 per cent of industrial production and 35 per cent of our export. If one includes the traditional village and cottage industries, their contribution to employment is over 60 million, to industrial production 49 per cent and to export about 55 per cent.

The post-quantitative restriction (QR) period and the continuous import duty reduction phase since the year 2000 has exposed the Indian SMEs to severe competition from the domestic (large units) as well as the global markets. The SMEs responded to this challenge with high quality products, better processes, and technology upgradation across the sectors. Over the last decade, the SMEs growth has been more than that of the industrial sector. The average growth of SMEs sector in the last 10 years has been 8.6 per cent, whereas for the industrial sector it has been only 6 per cent. The number of units has shown 43 per cent growth and employment has growth about 21 per cent during this period. The production has growth manifold and the exports (in value terms) has more than tripled during the last decade.

Limitations on SMEs Development

Among the hurdles affecting the growth of the SMEs, the infrastructure bottlenecks are a major cause, lack of demand and shortage of working capital are also contributes towards sickness of SSIs. A centralized infrastructure solution approach would ease the situation in the near future as being approached by the SEZ and Cluster Development model in a sustainable manner. To adopt to the changing global competition scenario the SMEs has to transform, firstly its attitude, mindset towards transparency, accounting practices, accountability, and social responsibility, labour conditions etc.. The growth of tiny (Micro) units is also confronted by a host of issues. Their products are uncompetitive because of high price and unattractive design arising from:-

- Inadequate, delayed, and costly credit and poor access to external finance.
- Lack of marketing facilities.
- High rate of taxation
- Inadequate opportunities for skill development
- Fluctuating price of the highly critical raw material like steel, coal, nickel, yarn, and non-edible oil.
- Inadequate facilities for technology upgradation, design development, and product innovation.
- Irregular power supply at times resulting in non-availability of power.
- Poor infrastructure in rural areas particularly relating to road and communication.

Policy Support to SME Development in India

(i) The Promotional Package for Micro and Small Enterprises

The SME segment constitutes a heterogeneous universe confronted by several issues. The Ministry of SSI & Agro industries has formulated a policy package to harness their potential in the wake of the increasing opportunities generated by trade liberalisation, and increasing global competition. It has been supplemented with a specific set of support measures to address their continuing challenges in the areas of credit, technological upgradation, marketing and infrastructural upgradation. Reforms in the SME sector have always been kept in pace with other aspects of the economy. Hence, the

Indian SMEs are in a better position to face competition from other forerunners in this field like Italy, South Korea, Taiwan, and China. The policy overhaul with consistency and continuity has also contributed a new found confidence amongst entrepreneurs who are now taking amore global view of their businesses to attain global bench marks in quality and standards.

Recent policy initiatives for the SME sector:

I. The New Legislation; Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 enacted by Govt. of India.

The MSME Act 2006 enactment has strengthened the small enterprises across the board, which has come into force with effect from 2nd October 2006. Apart from clearer and more progressive classification of each category of the enterprises, particularly the small, the Act provides for a statutory consultative mechanism at the national level with wide representation of all sections of stakeholders with a wide range of advisory functions for enhancing the SME competitiveness. The legislation highlights establishment of specific mechanisms, funds for promotion, development policies through progressive credit policies, practices, preferences in government procurements, more effective mechanism for mitigating the problems of delayed payments, simplification of the process of closure of business by all the three categories of the enterprises.

The Act has fulfilled one of the needs articulated by this segment for long. It seeks to facilitate through its twin approach of promotion & development, and enhancing competitiveness, the first-ever legal framework for recognition of the concept of "enterprise" (comprising both manufacturing and services) and integrating the three tiers of these enterprises, namely, micro, small, and medium. The main highlights include establishment of specific funds for the promotion, development, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments and simplification of the process of closure of business by all three categories of enterprises.

II.Enhancement in Investment limits for the MSMEs

The SSI definition since 1960 is based on investment in plant and machinery. With a view to facilitating the promotion and development and enhancing the competitiveness of micro, small, and medium enterprises, the Micro, Small and Medium Enterprises Development Bill, 2006 has recently been passed and its effective and expeditious implementation is being undertaken in close collaboration with all the stakeholders. As per the Micro Small and Medium Enterprises Development (MSMED) Act, 2006, the definition of Tiny/Micro Small & Medium has undergone following changes the investment limit for machinery:-

Sector	**Previous Limit**	**Revised Limit**	
		Manufacturing	Services
Tiny/Micro	Rs. 5 lakh	Rs. 25 lakh	Rs. 10 lakh
SSI	Rs. 1 crore	Rs. 5 crore	Rs. 2 crore
Medium Enterprises	---	Rs. 10 crore	Rs. 5 crore

III.Establishment of a dedicated Credit-cum-Performance Rating agency for SME sector in India, SME Rating Agency of India Ltd (SMERA), to facilitate greater and easier flow of credit from the banking sector to SMEs.

I. Credit Flow Problem

Timely and adequate credit support is essential for the SMEs growth prospects. With a slew of financial sector reforms, numerous innovative banking solutions are in demand for fiancé from the SMEs has increased. According to NSS 55th Round Survey, not more than 4.2 per cent of non-farm enterprises have access to institutional credit, which has also been confirmed by the 3rd Census of SSI. Though the overall credit to SSI itself has declined from 15.5 per cent of Scheduled Commercial Banks credit in 1997-98 to 8.5 per cent in 2005-06, the position with regard to micro enterprise, is still worse, as these enterprises received only 3 per cent of Net Bank Credit in 2003 and this has further declined to 1.8 per cent in 2006. In fact, the Approach Paper to the Eleventh Plan recognizes that position with regard to credit to micro enterprises in much worst than that of the farm sector.

In spite of RBI guidelines that loan upto Rs. 5 lakh be given without collaterals, only 26 per cent of such loans were without collaterals. Only 16 public sector banks (PSBs) achieved the minimum of 20 per cent growth. Four PSBs could reach a growth between 15 per cent and 20 per cent, 3 between 10 per cent and 15 per cent, and the remaining 4 PSBs registered less than 10 per cent (including Andhra Bank which registered a negative growth). This inadequate flow of credit to the MSE sector is impacting on the effort of the sector to reach global benchmarks of competitiveness and efficiency.

ii. Initiatives for Augmenting Credit Flow

To mitigate the deterrents on the prospective growth path of the SMEs, the Government has put forth a scheme for stepping up credit to SMEs assuring, inter-alia a 20 per cent year-on-year growth in credit flow, with concerted efforts by the RBI and the SIDBI. The Finance Minister indicated that as against the proposed 20 per cent year on year growth in credit to SMEs the public sector banks have shown a 28 per cent growth for the year 2005-06 and the public sector banks have shown a growth of 26.48 per cent of outstanding credit to SMEs as on Sept. 2006 over Sept. 2005, i.e. first year after the announcement of Policy Package. And adequate steps are being taken to improve the trends in the future for those PSBs who have shown lesser growth.

iii.Guarantee coverage under Credit Guarantee Fund for Small Enterprises expanded substantially

Portfolio Risk Fund & Risk Capital Fund

The Small Industries Development Bank of India (SIDBI) would be scaling up and strengthening its credit operations for micro enterprises and cover 50 lakh additional beneficiaries over five years beginning 2006-07. The SIDBI's direct lending operations would be expanded by increasing the number of branches from 56 to 100 in two years beginning 2006-07, with a view to catering to the credit needs of more clusters of micro and small enterprises (MSEs) with grants to SIDBI to augment SIDBI's Portfolio Risk Fund and enable it to create a Risk Capital Fund (as a pilot scheme in 2006-07) so as to provide, directly or through intermediaries, demand-based small loans to micro enterprises. The total estimated cost would be 143.32 crores spread over four years beginning 2007-08, with the estimated cost during 2006-07 is Rs. 10 crores. Risk Capital Fund as grant to SIDBI of the order of Rs. 100 crores.

Venture Capital Fund

In order to provide risk capital to SMEs sector, a SIDBI Venture Capital Limited (SVCL) with corpus of Rs. 500 crore has been set up which is presently managing national SME Growth Fund for biotech, food processing, Pharma, light engineering and knowledge based industries.

iv. Credit Guarantee Funds Scheme for Small Industries (CGFSI)

The present corpus of CGF is Rs. 1336.53 crores and is proposed to rise to Rs.2500 crores in the next five years with contribution by the Government and SIDBI in the existing ratio of 4:1). The eligible loan limit under the Credit

Guarantee Fund Scheme has been raised to Rs.50 lakh. The credit guarantee cover has also been raised to 80 per cent for micro enterprises for loans up to Rs.5 lakh. Guarantees extended for 51,147 proposals covering credit assistance of Rs. 13321.13 crore till September 30, 2006. The Fund will continue to be maintained with and managed by the Credit Guarantee Fund Trust for Small Industries (CGTSI). The Trust will be renamed as "Credit Guarantee Fund Trust for Micro and Small Enterprises" (CGFTMSE).

v. One Time Settlement (OTS) Scheme

To provide relief/concessions to SME borrowers, guidelines on One Time Settlement (OTS) Scheme (for public sector banks) and Debt restructuring mechanism for SME sector (for all commercial banks) covering outstanding amount up to Rs. 10 crore in the books of banks have been issued

The **Laghu Udhyami Credit Card** provides hassle free credit facilities to small borrowers with credit limit upto Rs. 2 lakh. For wider dissemination and easy accessibility, banks have also been advised to prominently display all the facilities/ schemes offered by them to small entrepreneurs at each of their branches.

As regards revitalization of the State Financial Corporations (SFCs). SIDBI has entered into tripartite MoU with 11 SFCs, involving the respective State Governments, in order to help and thereby improve the overall health and functioning of the SFCs.

vii. Cluster Based Approach

The NSM has put forwarded the view that new and innovative Cluster development approach would expedite the process of manufacturing competitiveness. To accomplish this objective of a comprehensive and speedier development of clusters of micro and small enterprises, the existing guidelines of the Small Industries Cluster Development Programme (SICDP, has been renamed as "Micro and Small Enterprises Cluster Development Programme" - MSECDP) to accelerate holistic development of clusters, including provision of Common Facility Centres, developed sites for new enterprises, upgradation of existing industrial infrastructure and provision of Exhibition Grounds/Halls and also for creation and management of infrastructure-related assets in the public-private partnership mode. The ceiling on project cost would be raised to Rs.10 crore. Considering its importance, a group has been formed at the Ministry level to lay down the policy for cluster development and oversee its implementation.

For enhancing flow of credit to small enterprises in clusters, the innovative cluster-banking approach is being adopted to improve the credit flow and type of services demanded depending on the products, production processes pertaining to the respective cluster. Attempts are made to identify and select clusters of SME units, which share homogeneity and a critical mass. SIDBI has covered 149 clusters all over the country. Also to reduce credit risks, Risk Profiling studies in respect of 4 SME clusters have been completed.

Cluster based credit approach is cost effective and efficient way to deliver and access credit. In a particular cluster, by understanding their strong linkages credit can be extended without much risk. Mapping of risk profile studies is being attempted by IBA, SIDBI and SMERA at different clusters on a pilot basis, which would ultimately help in augmenting the flow of credit to the SMEs. Presently approximately 400 modern small scale and 2000 rural and artisan based clusters in India. These clusters contribute to approximately 60 per cent of India's manufactured exports. The size in terms of the number of units and the quantum of output of clusters may vary significantly. Some of them are so big that they produce upto 70 to 80 per cent of the total volume of that particular product produced in India.
Some successful examples of clusters are as under:-

- The township of Panipat, in Haryana State, produces 75 per cent of the total blankets produced in the country.
- Tirupur, a small township in the Coimbatore district of Tamilnadu contributes 80 per cent of the country's cotton hosiery exports.
- The city of Agra, virtually a Footwear City with 800 registered and 6,000 unregistered small and cotton footwear production units, makes 1.5 lakh pairs of shoes per day with a production value of 1.3 million dollars per day and exports shoes worth US $ 57.14 million per year.
- Ludhiana in Punjab produces 95 per cent of the country's woolen knitwear, 85 per cent of the country's sewing machines and 60 per cent of the nation's bicycle and bicycle parts.

viii. Credit Rating of SMEs

The credit rating route gives the SMEs an independent opinion on their performance as well as improves its stature, gains credibility among partners, clients, customers, and competitors and expedites the access to funding, with appropriate interest rate and other terms. The biggest advantage is that it provides way for self improvement and gives a comparative Benchmark along with visibility in listing as rated units in various forums.

SME Rating Agency (SMERA)

The NSM envisions that for enhancing flow of credit to small enterprises in clusters, steps should be taken to encourage credit rating of the enterprises in conjunction with cluster wide measures to minimize credit risks through capacity building of associations/self-help groups of small enterprises. (Para 3.9.2)

The Credit Rating Scheme has been introduced by the National Small Industries Corporation (NSIC) to encourage the SSI units to get their credit rating done by reputed credit rating agencies namely, CRISIL, ICRA, Dun and Bradstreet, ONICRA, CARE and Fitch. To operationalise this scheme a dedicated Rating Agency for SME sector i.e. SME Rating Agency (SMERA) of India has been jointly set up by SIDBI, Dun & Bradstreet, Credit information Bureau (India) Ltd., and 6 public sector banks and leading credit rating agency "CRISIL' w.e.f. September 5, 2005.

The primary objective of the SMERA is to provide ratings that are comprehensive, transparent and reliable and which would enable the rated units to borrow funds at competitive rates of interest. The SMERA has so far rated over 280 SMEs and is having another 850 applications at various stages of processing and is expected to rate 1000 SMEs by March 2007. The SMERA has signed MoU with 16 banks for offering interest concession to the rated units. To this the scheme envisages that 75 per cent of the cost of credit rating exercise, with a maximum limit of Rs.40,000 per SSI unit, would be reimbursed to the SSI unit availing of this one-time facility. As a step ahead a long-term Credit disbursement norm is to be worked out for MSMEs based on Credit ratings. The SIDBI has also formulated Small Enterprises Financial Centres (SEFCs) in selected clusters for ensuring focused attention to the cluster specific financial requirements of the SSIs.

IV. National Commission on Enterprises in the Unorganised / Informal Sector (NCEUS) has been set up as an advisory body for the development of micro enterprises.

The NCEUS has recently recommended comprehensive National Minimum Social Security Scheme involving benefits like insurance for sickness and maternity, life/accident and old age (monthly pension). It envisages a lot of economic and social leverage by implementing the scheme in terms of positive contributions to national income growth and simultaneous reduction in ills like poverty, discontent, unrest etc. The scheme would strengthen the economy by providing support for large mass of the workforce in the unorganized sectors, constituting about 93 per cent of the workforce.

V. Retaining Talents and Developing Skills

Recently the SMEs are confronting severe scarcity of talents and skill. In the case of tiny and micro units the promoter mostly plays multi-roles viz. in charge of production, HRD, Marketing, R&D etc. With the strides in SME growth the situation of skill scarcity would aggravate at different levels. The important aspect is how to inculcate the attitude of multi-skilling. As a long – term solution, a comprehensive skill development programme needs to be initiated on a PPP approach mode by involving all the stakeholders viz. the industry associations, SMEs, ITIs and the respective State Governments. Initiatives are being taken at various levels to address this crucial issue and seek practical solutions.

To address the talent issue a comprehensive Entrepreneurial and Managerial Development Programme will be launched and 50,000 entrepreneurs will be trained in IT, catering, agro- food processing, pharmaceutical, biotechnology, etc. through speciliazed courses run by SISIs. And through various new initiatives will be promoted for conducting tailor – made courses by entrepreneurial clubs. Four training–cum–product development centre (TPDCEs) for agro and food processing would be set up at identified existing SISIs to facilitate promotion and development of micro and small enterprises in the food-processing sector. The two existing central footwear-training institutes at Chennai and Agra will be further strengthened to expend their outreach and assist the MSE in upgrading their technology. The vertical shaft brick klin technology would be promoted for adoption by MSEs.

VI. Scheme of Fund for Regeneration of Traditional Industries" [SFURTI"]

The Government has launched the Scheme of Fund for Regeneration of Traditional Industries (SFURI) to develop 100 clusters (25 khadi, 50 village industries and 25 coir clusters) over a period of five years beginning 2005-06. SFURTI envisages assistance for setting up of common facility centres, quality improvement, training and capacity building, development of new products, improved packaging, new design, market promotion, etc.

I. Competitiveness of Khadi and Village industries

The Government in consultation Khadi and Village Industries Commission (KVIC) has formulated a five year implementation scheme for enhancing productivity and competitiveness of khadi industry and artisans by overhauling, repairing and renewal of spinning/weaving and allied equipment, replacement of obsolete equipment in operation with 200 of the best performing khadi institutions registered with KVIC, setting up service centres, product and design development, capacity building of artisans as well as khadi institutions.

VII. Emphasis on bi-lateral / multi- lateral partnership at multiple levels.

India and USA to Sign Letter Of Intent on Small and Medium Enterprises

To further economic development and job creation in the SMEs, a Letter of Intent (LOI) has been signed between India (the DCSSI) and the United States of America (the Small Business Administration (SBA)). The intention is to promote reciprocal trade and opportunities for strategic linkages between small businesses of the respective countries will promote small business strategic alliances and institutional cooperation to reinforce the economic bonds between the two countries

VIII. Accelerating initiatives to address Technology needs for SMEs in the 11th Five Year Plan.

The component relating to Technology and Quality Upgradation support in SMEs has been introduced with the objective of encouraging SMEs to adopt the latest and acceptable national and international standards so that products from the Indian SMEs are globally accepted. This would include sensitization and intervention of renewable energy and energy efficiency technologies and nano-technologies. The proposal envisage the adoption of 50 SSI units every year for technology upgradation, upgradation and acquisition of latest apparatus and measuring instruments, etc. in technical institutions conducting awareness programmes on quality standards and the like. Significant improvements have also been made in the Credit Linked Capital Subsidy Scheme for Technological Upgradation, leading to a spurt in the number of units availing of its benefits.

A technology mission will be established with a view to assisting micro, small and medium enterprises(MSMEs) in technology upgradation , energy conversation and pollution mitigation. A special of assistance will be launched to promote energy efficiency in electrical pumps and motors manufactured by MSMEs. The scheme of assisting attainment of ISO 9000 and 14001 standards will be expended to cover hazard analysis and critical control points (HACCP) certification by MSE and operate during the 11th Fiver Year Plan. Four Training-cum-Product Development Centres (TPDCs) for agro & food processing industries would be set up at identified existing Small Industries Service Institutes (SISIs) to facilitate promotion and development of micro and small enterprises in the food processing sector.

IX. Taxation and Fiscal Support

Taking into consideration all the relevant factors, including the new definition of small manufacturing enterprises, under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the Government will examine the feasibility of:

- increase in the General Excise Exemption (GEE) limit and the existing eligibility limit for GEE;
- extending the time limit for payment of excise duty by micro and small enterprises; and
- extending the GEE benefits to small enterprises on their graduation to medium enterprises for a limited period.

X. Strengthening Of Prime Minister's Rozgar Yojana (PMRY)

The Prime Minister's Rozgar Yojana (PMRY), introduced in 1993, has been one of the important credit-linked subsidy schemes to generate self-employment opportunities for the educated youth by assisting them in setting up viable micro enterprises. By the end of 2005-06, it is estimated to have provided self-employment opportunities to 38.09 lakh persons. A recent review has, however, established the need to improve its effectiveness as a measure for self-employment through this route. The design parameters of the PMRY, in terms of family income limits for eligibility, project cost ceilings, corresponding ceilings of subsidy, rates of assistance to States towards training of beneficiaries before and after selection, etc., will be improved with effect from 2007-08, keeping in view the findings of the review.

Strengthening Of Data Base for MSME Sector

To strengthen the data base for the MSME sector, statistics and information will be collected in respect of number of units, employment, rate of growth, share of GDP, value of production, extent of sickness/closure and all other relevant parameters of micro, small and medium enterprises, including khadi and village industry units set up under Rural Employment Generation Programme and Prime Minister's Rozgar Yojana as well as coir units, through annual sample surveys and quinquennial census. The quinquennial census and annual sample surveys of MSMEs will also collect data on women-owned and/or managed enterprises. A scheme will also be formulated and implemented to regularly collect data on exports of products/services manufactured/provided by micro, small and medium enterprises, including khadi and village industries."