ASSOCHAM-BDO STUDY

'Delays, Abrupt End to Tenders Mar Defence Biz'

Suggests increasing FDI to 51% under auto route, overhaul of offset rules

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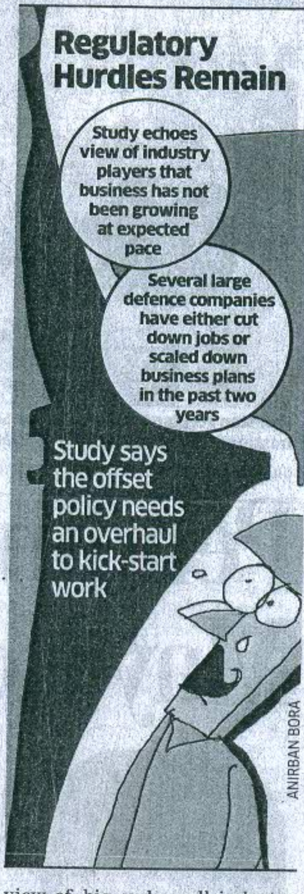
New Delhi: Urging the government to cut down inordinate delays in the procurement process for military equipment, the defence industry has said that cancellations of tenders midway and uncertain time frames are adversely impacting business and discouraging foreign investments.

A study by an industry house that has been shared with the defence ministry suggests an overhaul of the offsets rules, cutting down of procurement lead times and increasing foreign direct investment (FDI) to 51% under the automatic rule.

"Procurement delays have been a cause for concern for a long time, which is one of the critical issues raised by the industry.... Cancellation of tenders mid-way in the procurement cycle adversely affects participants' business plans and discourages investment too from foreign defence companies," says an Assocham-BDO joint study on the aerospace manufacturing ecosystem.

The study echoes long-standing view of big and small industry players that business has not been growing at the expected pace, given that defence manufacturing was to be the cornerstone of the Make in India campaign.



Several large defence companies have either cut down jobs or scaled down business plans in the past two years owing to a lack of orders being placed by the government through the competitive process and a continuing preference for public sector units.

The study says that the offset policy – which mandates foreign players to invest at least 30 percent of the contract value in the domestic market – also needs an overhaul to kick-start work. "Due to the various restrictions to fulfil offset obligations, global OEMs (original equipment manufacturers) have found fewer reasons to invest in more sustainable, advanced and long-term engineering and manufacturing projects within India," it says.

The defence ministry has a revised offsets plan ready - which offers incentives to invest in two defence corridors and gives more flexibility to foreign companies to execute work – but has been unable to promulgate it since May 2018.

On FDI, the study says that the current limit of 49% under the automatic route is restricting investments in India as foreign players are concerned about control over advanced technology. "The government should allow a minimum of 51% FDI in the defence sector without any riders to linkages with 'modern technology' so as to enable international defence companies to exercise adequate control over the joint venture companies, IPR and the product quality," it says.

Business Standard Page 15 6 June, 2019

Assocham for raising defence FDI cap to 51%

AJAI SHUKLA
New Delhi, 5 June

A study, released by Assocham on Wednesday, recommends that foreign defence firms be allowed a majority stake in joint ventures (JVs) that they set up in India.

In 2016, the prevailing 26 per cent cap for foreign direct investment (FDI) in defence was raised to 49 per cent through the automatic route. Further, FDI above 49 per cent became permissible through case-by-case government sanction "wherever it is likely to result in access to modern technology or for other reasons to be recorded."

That has failed to spur investment. The defence sector has received a total of \$0.18 million (₹1.26 crore) in FDI from April 2014 to December 2017, the defence ministry said.

The study, conducted in partnership with UK consultancy firm BDO, suggests: "The government should allow a minimum of 51 per cent FDI in defence without any riders to linkages with 'modern technology', so as to enable international defence companies to exercise adequate control over joint venture companies, intellectual property rights and product quality."

The Hindu Business Line Page 4 6 June, 2019

FDI limit in defence sector should be raised to 51%: Study

PRESS TRUST OF INDIA

New Delhi, June 5

A minimum of 51 per cent FDI must be allowed in the defence sector without any conditions so that global players can exercise adequate control over joint ventures, and more jobs are created, a study has suggested.

"The government should allow a minimum of 51 per cent FDI in defence sector without any riders to linkages with 'modern technology,' so as to enable international defence companies to exercise adequate control over JVs, intellectual property rights and product quality," a joint report by Assocham and global advisory services firm BDO said.

FDI limit in defence sector

A minimum of 51% FDI must be allowed in defence sector without any conditions so that global players can exercise adequate control over joint ventures, and more jobs are created, a joint report by Assocham and global advisory services firm BDO said.

Tobacco sector employs 4.5 cr, gives ₹11.79 l cr to Indian economy

GUWAHATI: In its latest study on the economic aspect of tobacco, industry chamber Assocham has found that the sector contributes a whopping Rs 11,79,498 crore to Indian economy and employs an estimated 4.57 crore people.

Conducted by the Thought Arbitrage Research Institute (TARI) on behalf of the Assocham, the study said the figures were arrived at by measuring the total cumulative intrinsic economic value generated by the sector over the years.

The study, however, did not consider other areas of the tobacco sector such as health issues.

"Tobacco sector was chosen as the subject of the study because of its spread right from the farms to the local and the international markets. It cuts across a diverse set of constituents across its entire value chain," Assocham said.

The tobacco sector is ranged from farmers, who are involved in its cultivation, along with farm workers and labourers, processing units, transporters, trade channel, manufacturing units, brand owners as well as to the exports operations, the chamber said.

"It has been well known that about 45.7 million people in India depend on the tobacco sector for their livelihoods.

It comprises six million farmers, 20 million farm labours, four million leaf pluckers, 8.5 million workers in processing, manufacturing and exports and 7.2 million workers in retailing and trading," the study said.

Tobacco contributes a major percentage of the total value of commercial crops in India generating huge socio-economic benefits in terms of agricultural employment, farm incomes, revenue generation

and foreign exchange earnings.

"There is established data that India is a leading tobacco exporter with exports of leaf tobacco and tobacco products contributing around Rs 6,000 crore annually in terms of foreign exchange to the government.

"Out of the total net exports, the non-manufactured tobacco has a significant share amounting to Rs 4,173 crore and the balance of around Rs 1,830 crore includes tobacco products like cigars, cheroots, cigarillos and cigarettes," the report said.

India produces tobaccos of different grades and types for various end users, providing a one-stop shop for different styles, qualities and price ranges for global customers.

The Assocham study said, "India accounts for five per cent value share of the $12 billion global tobacco leaf export trade."

Indian tobaccos are exported to over 100 countries.

On the farming conditions, the report said tobacco is produced in the worst farming belts of the country with poor soil quality unfit to grow many other crops. "Tobacco growing is highly labour intensive, yet remunerative compared to food crops. It can grow on soil of poor fertility and can withstand variations in weather conditions better than other crops, especially in the states of Andhra Pradesh, Karnataka and Gujarat," it added.

TARI Director Kshama V Kaushik said for the first time the economic contribution made by the tobacco sector to India's economy has been quantified.

"While doing this, the benefits accrued to all the stakeholders in the value chain have been taken into consideration. The cascading effects of the socio-economic benefits of the tobacco industry on other sectors of the economy have been overlooked by the studies which were done so far," the Director claimed.

The previous studies also did not assess the compounding effect of tobacco sector on livelihoods of people, who indirectly earn, such as people engaged in packaging, warehousing, flavour and fragrance, paper, jute, mentha, areca nut, transporters along with input industries like fertilisers and pesticides, the report said. PTI