

Dt: 09.06.16

Sanjeev Kapoor
President

To,

Shri Kalraj Mishra Ji,
Hon'ble Central Minister for MSME,
Government of India, New Delhi,
Camp : Silvassa, UT of D&NH

Ajit Deshpande
Vice President

Subject : Steps required for "Ease at Manufacturing in the UT of
D&NH by MSME".

Hon'ble Sir,

At outset, Federation welcomes you at this tiny Union Territory located on the banks of sacred river Damian Ganga.

Dr. R. B. Shelke
General Secretary

The UT is known for its tourism and flora and fauna, is also a hub of MSME industries in the country.

Located in between two large states, Maharashtra and Gujarat, it is manly and dominantly with tribal population. Though, it does not have any raw material which can be used by the MSMEs or market for the products made by MSMEs, but the banks to the strategic location between Mumbai, Surat and Bhivandi and also thanks to the Government of India's policies that today it houses around 3500 industrial units out of which 90% and above are MSME units and are engaged, by majority, in polyester yarns.

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It contributes around 18000 crores to the treasury of government of India by way of central excise, service tax, income tax, VAT and other levies. Simultaneously, it provides employment to around 2.5 lakhs persons who are mainly local tribal along with persons from different parts of the country. They all live together, work together without any conflict.

The year 1993 was a turning point for the UT, which suddenly made this sleepy but, lovely UT as main attraction of industrialists, when government of India provided a tax holiday.

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Vice President

Anyway, Sir, the tax holiday and its impact period is over. Industries have learnt to be on their own. But, dynamic leadership of Hon'ble Prime Minister and his thrust on "make in India" has made again us to think for a second turning point in the life of this UT.

With this thought and backdrop, we present certain suggestions and expectations of MSMEs before Government of India to provide opportunities to MSME in this UT to enable them to play their humble role in converting the dream of Hon'ble Prime Minister into reality:

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1. Developing World Class Manufacturing Zones

Govt of India, through UT Administration, or, through PPP model promote World Class Manufacturing Zones in the UT which are well equipped with quality power infrastructure, manufacturing shades, industrial and drinking water facilities, drainage system, well built roads, a very effective effluent treatment plant, a very effective facility for disposal of solid and liquid wastes, express connectivity with highways, common logistics, security, warehousing facilities. These zones should be independently administered where in all powers and authorities should rest with the Administrator of the Zone.

While creating the Zones, it must be kept in mind that 70% of MSMEs of the UT are engaged in manufacturing of yarn and therefore these zones should be either to provide large scale

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2. Protection of MSMEs against Import from China

- a. Silvassa is hub of polyester yarn manufacturing in the country. Eighty per cent of yarn requirement is fulfilled from here. It is mainly produced by the MSMEs. Now they are facing two way threats of survival. On the one hand, domestic large players who have backward integration, much less overhead expenses, flooded with holding capacity, and on the other hand, there is uncontrolled import of polyester knitted fabric and polyester processed fabric from China.

If, it is not controlled, MSMEs in yarn sector will be totally ruined. Hence, it high time, that government must think now to put anti dumping duty on polyester knitted fabric and polyester processed fabric being imported from China..

- b. Textile should be declared as core industry. It provides huge employment and business opportunity to MSME. It is largest industrial sector. Govt must pay special attention towards it.

3. Protection of interests of MSMEs in Aluminium Sector:

Large Industries in the Aluminium Sector have demanded 5% save-guard duty on imports to make their products (metal) competitive with the international pricing.

These industries had made similar move about four years back also. Their demand was not accepted by the government as it will hit the MSMEs badly who are mainly engaged in the making of utensils, roof sheets, etc.. The UT's industries would also be affected adversely, as about 60% of the aluminium conductors are manufactured here in Dadra Nagar Haveli. Five per cent increase in the duty will render their products as non-competitive and will also result in de-motivation for export of conductors.

The demand of large industries is not logical. None of them is running into, losses. It is a sheer move to enhance profit margin.

Federation, in the interests of thousands of MSMEs and lakhs of people who earn their bread and butter from this industry, suggests to reject the demand of imposing 5% save-guard duty on the import of aluminium metal.

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However, Federation has no objection, if Government thinks to provide them some subsidy to reduce their costs. It should reduce prices of their products and will benefit the MSMEs.

In this connection, Federation encloses two representations submitted by the concerned industries to government of India, which are self explanatory.

4. New investment / expansion Incentives

- a. Present incentive schemes of the UT are not attractive in comparison of schemes prevailing in the neighbouring states, Maharashtra and Gujarat.
- b. Capital investment subsidy should be increased to Rs. 15% for MSME and in case of textiles, it should be Rs. 20 % with the upper limit of Rs 50L.
- c. Interest subsidy, which is, at present, @ 5% with an upper limit of Rs 30 L, should be increased to 7%, with upper limit of 1.5 cr and period should be enhanced to 7 years.
- d. The technical textile interest subsidy, which is at present @ 6%, with upper limit of Rs. 50 L for a maximum period of 5 years, should be enhanced to 8%, with upper limit Rs 2 cr and maximum period should be enhanced to 7 years.
- e. These incentives should be available for expansion of existing industries also, without the limit of 50%.
- f. Period of benefits should be counted from the date of availing of the scheme.

5. Ease at Construction

- a. NA should be granted instantly. Procedures should be easy. Planning and Developing department, Revenue and Land Records Department should function in coordination with each other. NA once granted should not require renewal. At present it is required at interval of every five years.

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- b. Circle rates were effected last year without considering factors like accessibility, level of plot, distance from main road. We must study the pragmatic practice of Gujarat where care is taken of all these factors.
- c. If the industry is willing to give undertaking that construction will be done as per prevailing DC Rules, construction be allowed immediate after the submission of application for construction permission.
- d. Fire NOC should not be insisted upon for Construction Permission.
- e. Checklist for Construction Permission in municipal area should be like other rural area of the UT.
- f. FSI relaxation was granted in Feb 15 by the UT Administration, but it is not helping the industry. It motivates and facilitates the industry to for vertical constructions. For the logistics expenses, industries do not go for vertical construction. There is a need to review it again and grant relaxations for ground floor constructions.
- g. Land record abstracts in the form 7/12 should be available online, and should be valid only for the day on which, it was downloaded. It will prevent chances of fraud and cheating..
- h. Validity of the certified map is 30 days. Industries feel it is redundant. There should not any validity limit, as no change occurs in the certified map.
- i. Procedure for Fire NOC is undue stringent. These are simple copying the New Delhi practices, whereas, we should focus on practices in our neighbouring states. We are sure that following neighbouring state practices, we will not be compromising on safety issue. What we are asking is the procedural part.

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- j. Construction permission should be granted online and interface between the department and industries be made online only to bring transparency, and accountability.
- k. Certified maps of the Land Record department do not match to the maps of Planning and Development Department and in the process sufferer is the industry. It is suggested that both department should undertake a time bound exercise to reconcile their maps.
- l. If the industry is not in position to occupy full premises immediately, there should be provision of Part Occupancy.

6. Ease at Energy Resource:

- a. Power is a main ingredient at manufacturing. Thanks to the initiatives of Administration that UT is now quite comfortable to provide power as per requirement of the Industry. Recent reduction in tariff has brought new hopes and opportunities.

However, the relief which the MSME got after a very tough struggle at Regulatory commission, will be proved short lived. Large industries are going for open access, which is also the need of the hour for them to reduce the manufacturing cost. It is also true that reduction in manufacturing cost is a national duty.

Not pacing with the requirement of the time, the power distributing agency is not willing to surrender the power to generating stations in same proportionate. It is resulting in purchase of power by the Discom at higher rates and selling in open access at lower rate. The loss is going to be transferred to MSMEs.

Therefore, Federation seeks immediate intervention of Hon'ble Minister that in no case open access to large industries should not become a burden on MSMEs. It is true that Discom has filed a petition to the Regulatory Body

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on the subject, but it has granted NOCs to large industries without any condition of retrospective effect of orders of regulatory body. Therefore, either Discom should hold the NOCs till direction from the Regulatory body or put the NOC subject to the direction of Regulators. Federation's objections and suggestions have been overlooked by the Administration as well as Discom.

Sir, MSMEs pay their energy bills in time here. Bad debts and power pilferage are negligible in this UT.

- b. Government now must pay attention on infrastructure for future growth and development like timely change of distribution lines, erection of new sub-stations.
- c. Transformers to LT Consumers should be provided by the Discom.
- d. Permissions for change of CTPT and transformers requires an undue long protocol. Authority in this respect should be delegated to Deputy Engineer.
- e. SWIFT system should not insist the LT consumers to give undertaking that they will set up transformers and lines on their own expenses. In fact this kind of insistence is against the Supply Code of JERC.
- f. Those who want to surrender the surplus power, should dealt strictly as per Supply Code prescribed by JERC and DNH PDCL should adopt a consumer friendly approach.
- g. Surrender of power by consumers will enable DNH PDCL to surrender costlier power and thereby average power purchase will come down by 55 paise per unit. Our vision and suggested action plan for DNH PDCL was envisaged in detail in our presentation to JERC, during public hearing on ARR. DNH PDCL takes leaf out of those suggestion, it will be great ease in coming years.

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- h. Feasibility report should be made available online. At present lot of unexplained things and delays are happening. DNH PDCL must define non feasible area and should display them on their website, which must be updated time to time.

7. Ease at Pollution Control Committee:

- a. Consents to establish and Operate in white and green categories should be made available within 7 days of making of the application.
- b. Consents to establish and Operate in orange category should be made available within 30 days of making of the application.
- c. Consent fees at present is on cost of project, whereas MSME basis is investment in plant and machineries. Same criteria should be followed for consent fees also.
- d. Documents should also be taken for consents online in soft form.
- e. Matter related to present agency for disposal of solid and liquid waste is disturbing the industries. An acceptable and reasonable solution of past issues should be found out, otherwise, other parties who are willing to lift material from the UT be allowed, to make the operations of present facilitator as more efficient and competitive.
- f. In the recent classification of industries, some industries have been put on banned category. Existing units of those industries should be allowed expansion, otherwise they will become unviable over a period.

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8. Ease at Finance and Taxation to MSMEs

- a. Mortgage registration charge in our UT is 1% whereas in neighbouring states is 0.25 to 0.35%. We must reduce it. We must accept that mortgage is not transfer of property.
- b. VAT registration should be on line.
- c. VAT schedule reviewed every year based on last three years historical data. VAT should be reduced where consistent trend of refund. It will reduce not only unnecessary workload of first collecting VAT and thereafter refunding back, but, will also get valuable working capital freed from idleness. It will reduce cost of manufacturing in the UT.
- d. Procedure for refund, be made easy. Unnecessary protocols should be removed. Requirement of C form, as held by Bombay High Court, should be removed. There is no stay on judgment of Bombay High Court, hence, Administration must respect it letter and spirit.
- e. VAT on industrial inputs, which are used in manufacturing, should be made zero.
- f. Proposal should be made to extend CST exemption getting expired in the year 2017, till GST is made enforceable.

9. Ease in Working in Government Industrial Estates

- a. In OIDC Daman and Diu, plots given on lease were allowed to get converted in free hold. It is required as get the assistance from financial institutions, free hold plot is first condition.
Such conversion should be allowed in industrial estates owned by the DIC in DNH also
- b. Transfer of lease of these plots has been struck off for unknown reasons. This has become obstructive, in business flexibility.

- c. Lease Transfer charges are very high. These should be revised down wards

10. Ease in availability of Water:

SIA, a constituent of this Federation had sponsored a detailed and exhaustive survey of water requirement for next thirty years in the UT. The report was presented by the Administration to the than Planning Commission which had sanction Rs 400 cr for the project. We request that actions to implement the project be speed up as water table is deepening to an alarm level in the UT.

Drinking water from SMC's water treatment plant should be allowed to industries also.

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11. Ease in Approaching the UT and Traffic within the UT:

- a. Roads in private industrial estates are in very bad shape. Government should maintain these roads.
- b. Connectivity to Highway from Surangi via Sutrakar Road is need of the hour. We understand, Maharashtra Government has given its node. Now, we shuld move fast. This will reduce traffic congestion in the town as trucks / containers meant for industrial units in up to Masat area from Khanvel, will not be required to come to Silvassa town.
- c. Administration, in place of skywalks should focus on ring road and large fly over from Pipariya bridge to Samarwani to ease out current and future traffic congestions without affecting the growth and development of the UT.

12. Ease in HR and Labour Matters

a. Labour Laws not to apply on MSMEs

The Ministry of MSME Affairs had rightly proposed that establishments having 40 or less workmen should be exempted from the Factories Act, 1948 and other such Acts. The Ministry should rigriouly pusue it. It will create a new era of counry's industrialization, open the dorrns of employment for crores of unemployed youth and improving the state of economy alomnh with GDP of the country.

b. Make provision like chapter V D of Industrial Disputes Act, 1947 for MSMEs

The said chapter makes the exit policy easier by paying retrenchment compensation at enhance rate of 45 days for each completed year of service. This is a very reasonable and positive provision and therefore, UT Administration should move proposal to adopt Gujarat amendment of the ID Act for the UT also.

c. Ease at Skill Availability:

Industries do not get skilled manpower, whereas unemployed youth do not get the employment. To bridge this gap, we need to go skill development centre. Federation requests allotment of Gulmohar Rangshaala to Federation to establish skill development centre for local youths for making them employable in the trades and skills which are not imparted at ITI campus.

13. Ease at Law and Orders

Extortion

MSMEs are prone to extortion by various vested elements. Other large states have special police stations for extortion related complaints. UT Police should also create a special wing to deal the matters.

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14. Ease at Working in Private Industrial Estates

Inner roads of private industrial estates are in very bad shape. The matter has been discussed many times. Daan Patras in some of the sates were arranged also. But in some estates, Danpatras are not possible.

It is suggested that government should acquire the existing inner roads 'as it is' in public interests and maintain them so that industries existing in those industrial estates may get some relief.

15. Participatory Approach

Administration should appoint departmental Consultative committees with nominations from the Federation to understand the views of industries at initial stage rather at curative stage.

Ajit Deshpande
Vice President

We are hopeful that Hon'ble Minister will look into these suggestions will take a prompt action to bring a real "Ease in making in UT of D&NH for MSMEs".


Dr. R. B. Shelke
General Secretary

We record our full support and cooperation in making the dream of our Prime Minister, "Ease in making in India" into a reality.

Thanking you.

Yours faithfully,

For federation of Industries Associations, Silvassa


Sanjeev Kapoor
President