Dear Sh Sanjeev Kumar ji,

I am happy to participate in this consultation paper, having been an active participant in 2011 when Mr Luv Gupta was consolidating his reports. I have gone thorough the entire document & my comments are as follows:

My initial comment is that, Government has come out with several policies in the last few years which can create an enabling environment to resurrect domestic manufacturing. Presently need is to ensure proper implementation of these policies rather than make new policies and design new schemes and allocate additional resources. New policies and new schemes would result in spreading limited resources thin which may not be as productive as ensuring sharp focus on implementation of present policies in the desired spirit. In my view making more policies or designing new schemes will not help but fine tuning existing schemes and realignment & monitoring of existing schemes will go a long way to achieve desired results. Most important will be to bring

My reply to specific questions are as follows ;.

Q1.Is the PLI scheme in its current form effective : PLI is an excellent scheme but giving 6% incentive to foreign designed products for manufacturing in India may upset the applecart especially if the incentives are given in sectors where domestic products are available bcoz big companies who already enjoy economies of scale and price advantage may become even more competitive eradicating the domestic players. It is a double edged sword that needs careful handling bcoz big players will become even more competitive and the scheme has no riders regarding domestic value addition or development of down stream industry. PLI scheme awarded have focused on large scale manufacturing with no incentive for domestic design / value addition. Export is also not a pre requisite for disbursal of incentive.Over enthusiasm of PLI scheme to promote manufacturing by large corporations may kill our domestic manufacturers bcoz big players will become so much more competitive vis a vis our small players. Global payers have global supply chains and experience has shown that they have not shifted the supply chains to India at all and even the packing materials are imported.

Q2 Whether going beyond PLI scheme : PLI scheme is an excellent scheme but it must be coupled with the motivation to build domestic downstream industry. This can be triggered by stringent implementation of PPP policy to give boost to purchase from domestic manufacturers meeting 50 and more percentage domestic value addition.This policy must be strictly enforced and required percentage of domestic value addition for preference in public procurement should increase every year at a steady pace. This coupled with PLI scheme that motivates large scale manufacture will do the desired correction. While PLI will motivate more and more manufacturing but to get the required market pull from PPP order manufacturers will be forced to increase higher and higher DVA which in turn will ensure down stream industry development. Both policies running concurrently have both ingredients that will act as a carrot and stick.

Q5. Additional measures for promoting and supporting the Start-up ecosystem : Start up have two challenges. One they have ideas but need funding. Second challenge is once the product is designed they need market pull. First problem can be resolved if all grants (except for blue sky research) are disbursed through industry out of which 30% should be earmarked for start ups. Presently most grants are given only to Academic institutions or Government labs. Industry / Start up in turn will disburse funds to academic institutions based on who will deliver as per the milestones and deliverables. industry may be asked to put 25% of the project cost. This way Start ups will get 100% fiscal support of which their risk is only 25%. They will be get technology support and manpower from the academia. We have several funding agencies already like, DOT, MiETY, DST concurrently approving similar projects and very often to same institutions. Funds are largely allocated to Academia and more often than not to the same group by multiple funding agencies. Involvement of Start ups and Industry will ensure automatic correction. Only commercially viable projects will be approved and there would be interest in product commercialisation. This will ensure that funds go only to such academia who deliver the milestones and commitments to Industry. Academia should get promotions and growth based on commercial success of product deliverables (except for earmarked blue sky or strategic sector research programmes).

Second problem of market pull for the products which can be addressed by strong focus on implementation of PPP MII order in the desired spirit. To site an example, "Video Conferencing solutions" were developed in India. CDot has developed excellent product, MiETY had launched a heckthon and awards of Rs 1 Crore given to start ups delivered the products and received awards. Many other companies developed such solution yet Government largely uses foreign Video conferencing solutions. MiETY the ministry who gave the awards to winners of Video Conferencing equipment has on the contrary asked DPIIT to allow purchase of imported Video conference solutions that runs contrary to the objective of promoting domestic manufactured products of startups and new entrepreneurs. Such erratic response from different arms of the government will kill the spirit of all startups so sensitivity to implementation of PPP MII would be key to the success of startups.

Q6c : Suggestions to further improve these financial instruments : New policies and insurance schemes have their own limitations and associated costs. Organisations like SIDBI will not fund capital required for purchase of Technology, Software or Services since these are non tangible assets but are very critical for NATEM. Further SIDBI funds only 50% of the Capex on Dies and Tools which is bare essential to start manufacturing products in India. SIDBI is very conservative in many other ways. Commercial banks have the right mix of ingredients and they cover their risks by taking collaterals from promoters which genuine entrepreueurs can always arrange for their needs. Ideal and simple mechanisms is if these banks could be extended 5 to 6% of interest subvention in select sectors.

Q8 Financial assistance for MSMEs : MSME support requires modifications. Over enthusiasm in extending support to MSME may end up allocating Indian resources that may help promote interest of MNC companies while resources under the scheme were intended to help domestic MSME units manufacturing in India. Some of the schemes are counterproductive the way these are implemented presently. Schemes extend concessional credit to MSME, Exemption from payment of EMD, Bank guarantees and price preference to MSME, unmindful of the fact that MSME may be promoting an MNC product whereby Indian resources are indirectly supporting business of MNC products. It is common knowledge that CISCO, DELL, HP don't take projects in their own name and most large MNC companies sell products through Indian distributors or System Integrators who are technically MSME. All Chinese products like cameras, phones, switches are sold by MSME traders or SI. This way Government budget to support domestic MSME manufacturers ends up helping MNCs market their product in India. Since bulk of NATEM products are imported and sold through distributors of MNC companies so at a macro economic level we are spending more of our resources in helping our competitors These policies need deep diving and course correction rather than make new policies.

For MSME biggest problem is market access hence most important is to create demand for their product where strict implementation of PPP MII order in the desired spirit is the key. Each violation of PPP MII order must be taken to a logical conclusion and not closed by merely forwarding the grievances to the buyer organisation responsible for policy violation. This becomes a problem as seller (domestic industry) is victimised by the buyer organisation and buyer department invariably closes the complaint giving some fuzzy logic or by making some commitments regarding setting up a committee that never happens. Innumerable such cases are known to DPIIT.

Q 9 Cost disadvantage Indian industry suffers cost disadvantage on account of various factors stated in the paper, largest of which is interest cost. Our interest cost is higher by about 5% compared to international standards. Total Indian handicap should be around 7% which needs to be compensated especially for exports.

Q11 PMA/PMI scheme in its current form comprehensive PPP MII policy designed to give preference to domestic manufacturers in public procurement is an excellent policy which can single handedly resurrect domestic manufacturing and encourage startups and new design companies. We regularly see large scale policy circumvention by big buyers like NBCC, CPWD, Railways, Dedicated Freight corridors, ONGC, Defense, Purchases by NIC NIXI STPI under Ministry of Electronics. Large projects like Central Vista Project, Central Secretariat redevelopment project have been circumventing the policy on the ground that policy is not implantable in Turnkey projects. There is a need to bring about clarity on methodology of policy implementation in turnkey projects and we are told by DPIIT that Dptt of Expenditure is not in agreement of making PPP MII applicable on such projects. Scope of policy needs to be enhanced to include state Government projects / world bank funded projects / Lines of Credit. Rather than create new policies to boost procurement from domestic companies, it would be desirable to ensure proper implementation in the desired spirit and prevent large scale policy violation by large buyers. Multiple grievances have been submitted to DPIIT as well as DOT yet issues remain largely unaddressed.

There are products that are manufactured in India and sufficient capacity and competition exists yet large scale imports continue. To site an example, "Video Conferencing solutions" developed in India. CDot has developed excellent product, MiETY had launched a heckthon and awards of Rs 1 Crore given to successful companies who were certified to have developed successful solution. Many other companies developed such solution yet Government largely uses foreign Video conferencing solutions. MiETY the ministry who gave the awards to winners of Video Conferencing equipment has on the contrary asked DPIIT to allow purchase of imported Video conference solutions that runs contrary to the objective of promoting domestic manufactured products of startups and new entherprenuers.

GeM is an excellent tool for consolidation of domestic market demand and this digital platform can be used to ensure / monitor proper implementation of policies designed to promote domestic manufactured goods. Large scale policy circumvention is observed but GeM insists on its limitations in ensuring correct declarations made by buyers as well as sellers. Incorrect and unsubstantiated certificates of domestic value addition are put by suppliers and remain unchecked. Similarly large buyers buy foreign products on GeM by issuing "Proprietary certificate" that defeats the purpose. Grievances are flagged but remain unaddressed for various reasons. Our marketplace GeM continues to place imported products on its shelves, in the name of neutral market and under the garb of "best price discovery" unmindful of the larger objective of the Government to promote domestic products. Buyers continue to flout and Dptt of Expenditure supports circumvention of PPP MII order bcoz they only focus on fast delivery of projects without being concerned about larger objective of building Aatam Nirbar Bharat. Need is policy implementation rather than making new or more policies.

Circumvention of PPP MII policy is largely because large buyers tend to interpret various clauses of the policy differently hence industry has been requesting for issue of an FAQ (Frequently Asked Questions) to clarify on interpretation of various phrases used in the policy. Elaborate well articulated FAQ should minimise disputes on policy circumvention by large buyers. FAQ formats have been prepared submitted to DOT as well as DPIIT since two years but that is not issued. It will mitigate the problem of policy circumvention.

Grieviance redressal committee to hold regular meetings in DOT to address concerns of the manufacturers. This was very successful in ensuring policy compliance when JS (T) was holding them regularly till July 2020 but this practice was stopped on account of some inter ministerial conflicts where Dptt of Expenditure questioned the authority of DOT to conduct such grievance redressal meetings. As per DOE authority to conduct such meetings was with standing committee of DPIIT. It is important to hold meetings in DOT since nodal ministry understands the technical issues involved much better and they can bring each grievance to a logical conclusion unlike DPIIT who only forwards the grievance to the department responsible for violation which is a poor practice bcoz industry tends to bear the brunt of it.

Department should declare appropriate telecom products as "security sensitive" and their purchase should be governed as specified in the cybersecurity policy, i.e such security sensitive products should be procured only from Indian technology owners where IPR, Technology, Design should be Indian.

Q12 : Incentives to Telecom Service Providers Market pull or demand for products manufactured by industry is the single most important factor to resurrect industry. Ensuring that TSPs adopt domestic products will be a great boost in that direction. All efforts should be put in to ensure that PPP MII order is implemented by as many agencies as possible including purchases made by State Government and projects under PPP mode since they are all funded by Indian public at large. Success of existing manufacturers will motivate new start ups and new upcoming design houses.

Q14 Misdeclaration of HS codes, Mis-declaration of HS codes to circumvent imposition of customs duty is very rampant and must be nipped. Problem is that DOT asked for imposition of customs duty on functional parameters of product. Issue is regarding non implementation of the 2014 notification, when all items under HS classification 8517xxx were exempt from payment of duty. This notification made an exception from exempting VoIP, Optical, RF and Carrier Ethernet products from payment of duty which effectively meant that import of these products were to be subjected to customs duty from the applicable date. This custom duty was initially10% and subsequently as per notification dated 11Oct 2018 (attached) increased to 20%. Objective of the notification was to promote domestic manufacture of these new technology telecom products that were based on technologies that did not exist when ITA 1 agreement was signed by India.

Problem is that notification has levied customs duty based on functional parameters of the product because in the same HS classification there are products with these functional parameters and without these parameters. So VoIP switches & Carrier ethernet products are imported under 8517 69 30 (router) which is exempt from duty, similarly GPON & VoIP phones are imported as 8517 69 50 (subscriber end equipment) which is also exempt from payment of duty. There exists no specific HS classification for items covered in notification of 2014 and 2018.

Warm Regards

Rajesh Tuli

M.D Coral Telecom Ltd.

Coral Telecom Limited
A Step Towards...
Aatma-Nirbhar Bharat