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GOVERNMENT OF INDIA

भारी उद्योग एवं लोक उद्यम मंत्रालय

MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES

भारी उद्योग विभाग

DEPARTMENT OF HEAVY INDUSTRY

उद्योग भवन

Udyog Bhavan

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NEW DELHI-110011

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Dated: 27.1.2009

Sub: Action points arising out of the first Meeting of the newly reconstituted Development Council on Automobile and Allied Industries (DCAAI) held on 01.12.2008 at 3:30 PM in Room 47, Udyog Bhawan, New Delhi

The 1st meeting of the reconstituted Development Council on Automobile and Allied Industries (DCAAI) was held on 1.12.2008 under the chairmanship of Dr. S. K. Dash, Secretary, Department of Heavy Industry. It was decided that in order to update the DCAAI members on the status of important decisions; the Department will upload the action taken on the important decisions arising out of the meeting of the DCAAI on DHI website. The status of action taken on some of the important issues is as under:

| Sr No | Action point | Action taken |
|-------|--|--|
| 1 | Mr. Ravi Kant, President, SIAM - DCAAI requested that the meeting of the DCAAI should be held at least twice a year. | This will be taken care of while organising meetings in future. |
| 2 | The issue of curbs/restrictions imposed on steel imports /other products by recent DGFT notifications will be taken up and addressed. | This issue was taken up at the highest levels with the Ministry of Commerce, CoS looking into export incentives, Committee of Officers (COO) set up to look into the interventions for the auto sector. This matter was also been taken up by the Hon'ble Minister HI&PE with Hon'ble PM vide his D.O. dated 13 th December, 08 and 29 th December, 08. This issue was taken up again by DHI in the meeting called by Secretary (MoC) on the 13 th January, 2009. |
| 3 | To stimulate exports by looking at measures like ECGC cover, increase in DEPB rates packaging credit, etc. to be considered. | This issue was taken up at the highest levels with the Ministry of Commerce, CoS looking into export incentives, Committee of Officers (COO) set up to look into the interventions for the auto sector. |

| | | <p>This matter was also been taken up by the Hon'ble Minister HI&PE with Hon'ble PM vide his D.O. dated 13th December, 08 and 29th December, 08.</p> <p>The stimulus package announced recently has taken several measures for boosting exports:</p> <p>(i) DEPB rates: The GoI has decided to restore DEPB rates to those prevailing prior to November 2008. In order to provide predictability and stability of regime in the short term for future contracts, it has also been decided that the DEPB Scheme would be extended till 31.12.2009.</p> <p>(ii) In order to sort out the procedural issues and other similar problems facing exporters, the GoI has decided to constitute a Committee under the chairmanship of the Finance Secretary including Secretaries of the Departments of Revenue and Commerce to look into and resolve these issues on a fast-track basis.</p> <p>(iv) EXIM Bank has been granted a line of credit of Rs.5000 crore by RBI for providing pre-shipment and post-shipment credit, in rupees or dollars, to Indian exporters at competitive rates.</p> | | | | | | |
|------|---|--|------|--------------------|-----------------------|-----|----|---|
| 4 | <p>Freezing of signing of future FTAs till the economic scenario improves.</p> | <p>This issue was taken up at the highest levels with the Ministry of Commerce, CoS looking into export incentives, Committee of Officers (COO) set up to look into the interventions for the auto sector.</p> <p>This matter was also been taken up by the Hon'ble Minister HI&PE with Hon'ble PM vide his D.O. dated 13th December, 08 and 29th December, 08.</p> | | | | | | |
| 5 | <p>a. Lack of availability of working capital as also the problem of lack of demand in the auto sector.</p> <p>b. Creation of fund so that auto sector companies especially the SMEs can get loans for their working capital requirements at soft interest rates.</p> | <p>This issue was taken up at the highest levels with the Ministry of Commerce, CoS looking into export incentives, Committee of Officers (COO) set up to look into the interventions for the auto sector.</p> <p>This matter was also been taken up by the Hon'ble Minister HI&PE with Hon'ble PM vide his D.O. dated 13th December, 08 and 29th December, 08.</p> <p>The GoI through the stimulus package has addressed the issue of liquidity through further cuts in the CRR, Repo rate and the Reverse Repo rate as given in the table 1 below:</p> <p style="text-align: center;">Table 1</p> <table border="1" data-bbox="691 1816 1373 2050"> <thead> <tr> <th>Rate</th> <th>Existing After cut</th> <th>Level of cut & impact</th> </tr> </thead> <tbody> <tr> <td>CRR</td> <td>5%</td> <td>Reduced by 0.5%, will inc. liquidity by Rs 20,000 Crs</td> </tr> </tbody> </table> | Rate | Existing After cut | Level of cut & impact | CRR | 5% | Reduced by 0.5%, will inc. liquidity by Rs 20,000 Crs |
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| CRR | 5% | Reduced by 0.5%, will inc. liquidity by Rs 20,000 Crs | | | | | | |

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|-------------------|------|----------------|
| Repo rate | 5.5% | Reduced by 1%, |
| Reverse Repo rate | 4% | Reduced by 1%, |

It is estimated that the total additional liquidity due to above steps is estimated to be Rs 300,000 Crores.

In addition, the **policy on External Commercial Borrowing (ECB)**, has also been liberalised. Further the FII investment limit in rupee denominated corporate bonds in India has also been increased from US \$ 6 bn to US \$ 15 bn.

In order to ensure flow of this enhanced liquidity in the market the GoI has also announced certain **Credit Flow measures**:

(i) **An SPV is being designated shortly to provide liquidity support against investment grade paper to Non Banking Finance Companies (NBFCs) fulfilling certain conditions.**

(ii) **An arrangement is being worked out with leading Public Sector Banks to provide a line of credit to NBFCs specifically for purchase of commercial vehicles.**

(iii) **Credit targets of Public Sector Banks have been revised upward.** Government will closely monitor, on a fortnightly basis, the provision of sectoral credit by public sector banks.

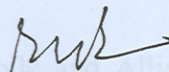
(iv) Special monthly meetings of State Level Bankers' Committees would be held to oversee the **resolution of credit issues of micro, small and medium enterprises by banks.** Department of MSME and Department of Financial Services will jointly set up a Cell to monitor progress on this front. Matters of MSMEs remaining unresolved with the Banks - SME Helpline for more than a fortnight may be brought to the notice of this Cell.

(v) Recently the guarantee cover under Credit Guarantee Scheme for micro and small enterprises on loans was extended from Rs.50 lakh to Rs.1 crore with a guarantee cover of 50%. In order to **enhance flow of credit to micro enterprises, it has been further decided to increase the guarantee cover extended by Credit Guarantee Fund Trust to 85% for credit facility upto Rs.5 lakh.** This will benefit about 84 per cent of the total number of accounts accorded guarantee cover.

Booting Demand: In order to address the issue of demand generation, an important direct measure has been announced by the GoI for stimulating the demand for commercial vehicles. This involves allowing the States, as a onetime measure upto 30.06.2009, to be

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| | | provided assistance under the JNNURM for the purchase of buses for their urban transport systems. |
| 6 | Extension of dates for tax benefits in states like Uttarakhand etc, Chairman stated that this would also be taken up as also the other issues relating to the reduction of excise duties. | Extension of dates for tax benefits, reduction of excise duties,: This issue was taken up at the highest levels with the Committee of Officers (COO) set up to look into the interventions for the auto sector. |
| 8 | Explore the possibility of rescheduling of loans and also the project completion dates announced by various state governments for getting investment related incentives like tax concessions etc. | This issue was taken up at the highest levels with the Ministry of Commerce, CoS looking into export incentives, Committee of Officers (COO) set up to look into the interventions for the auto sector. |

NIC Cell is requested to upload these decisions/action taken on the DHI website.


(R.K Singh)

Under Secretary to the Government of India

 NIC Cell