

# POLICY Updates

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**Dear IEEMA Members,**

*It is our constant endeavour to make our association more relevant to our valued members. For this we have taken numerous initiatives, few among those are to keep you updated about the latest developments in Electrical Equipment sector and happenings at IEEMA. For this we reach out to you regularly through **IEEMA Weekly Update, IEEMA Website & Social Media Platforms and IEEMA Journal**. In yet another initiative we are now introducing the **'Policy Update' monthly newsletter**. This newsletter will update members on recent policy developments influencing our business environment and IEEMA's role in it.*

*I hope you will find this space interesting and will eagerly wait for the next issue in this series. Please send us your valuable feedback regarding the newsletter.*

*Thanking you*

**Raj H. Eswaran**  
Chairman-Public Policy Cell

## Government removed Pre-Import Condition against Advance License

**I**EEEMA had represented to the Government to simplify and keep the Advance License norms by removing the special condition for Advance License under GST.

The Customs Notification 79/2017, dated 13th October 2017, provides exemption from payment of IGST upto 31.03.2019 (as extended vide Notification No. 66/2018-Customs, dated 26.09.2018). However, this Notification was subject to certain pre-import conditions, which were derived from DGFT notification No. 33/2015-2020, dated 13th October 2017 and difficult to fulfil. Many a times, importers have to end up paying IGST, which defeated the objective and spirit of the Notification.

Government amended the Advance Authorisation notifications [Notification no. 18/2015-Cus and 20/2015-Cus], Vide its Notification no. 01/2019-Cus, dated 10th January 2019. The changes made are summarised as below:



1. **Pre-import condition has been omitted for availment benefit of IGST and Compensation cess exemption;**
2. Following conditions for availing IGST and Compensation cess exemption on import of inputs for replenishment [i.e. after fulfilling export obligation] have been inserted:
  - (i) If GST input tax credit has been availed on inputs used for manufacture and supply of exported goods, then a bond has to be furnished to the Dy. Comm.

/ Asst. Comm. of Customs at the time of clearance of replenishment inputs, binding the importer that the said replenishment inputs will be used in the importer's factory or a supporting manufacturer's factory for manufacture and supply of taxable goods [other than nil rated or fully exempt supplies]. A certificate from a chartered accountant evincing the same has to be furnished within six months from the date of clearance of the replenishment inputs.

The above bond is not required to be furnished if IGST and compensation cess is paid on import of replenishment inputs.

- (ii) If GST input tax credit has not been availed on inputs used for manufacture and supply of exported goods, bond is not required to be furnished at the time of clearance of replenishment inputs, subject to furnishing the proof of such non-availment to the satisfaction of the above mentioned authorities.
3. Earlier, where IGST and compensation cess exemption had been availed, export obligation could be fulfilled only by way of physical exports. Now, the export obligations shall also be fulfilled by the following deemed exports [deemed under the GST regime]:
  - (a) Supply of goods under advance authorisation;
  - (b) Supply of goods under EPCG scheme; and
  - (c) Supply of goods to an EOU

## Eprocurement of Electrical Equipment and Services by Utilities and Government Agencies

Government e-Marketplace (GeM) is the National Public Procurement Portal and is an online Marketplace

for Central and State Government Ministries / Departments, Central & State Public Sector Undertakings (CPSUs & SPSUs), Autonomous Institutions and Local bodies, for procurement of common use Goods and Services.

GeM is aimed at making government procurements completely transparent, optimally efficient and openly inclusive. GeM is a major transformational initiative ushering in a paradigm shift in the way Government has been managing its procurement function hitherto.

In its 2 years of existence, GeM has around 5 lakh products available for online purchase with 28,000 government organisations (Central, State Governments and PSUs) registered and 1,45,000 sellers and service providers. GeM crossed 8 lakh transactions worth INR 12,500 crores till now, with an average overall savings of 25%.

Organizations in Ministry of Power, especially Power Sector Undertakings and other power utilities like State Electricity Boards, TRANCOS and DISCOMs are major stakeholders and important buyers. There is also a large ecosystem of wide varieties of manufacturers / suppliers of electrical equipment all over the country.

Government has aimed at registrations of all buyers and sellers of electrical equipment under GeM and thereby ensuring the following:

- Making available all products and services
- Ensuring all procurement through GeM
- Ensuring quality and certification
- Timely assured payments to all vendors as per SLA

## Encouraging Domestic Manufacturers

The Government of India, through Department of Industrial Policy and Promotion, issued the Public Procurement (Preference to Make in India) Revised Order, 2018. This Order encourages 'Make in India' and gives preference to domestic manufacturer suppliers for all Government procurements.

Various line ministries of the Government of India, including Ministry of Power and Ministry of Heavy Industries and Public Enterprises are in the process of notifying sector specific Orders, prescribing higher or lower percentage of local content in respect of items under their purview, and the manner of calculation of local content.

IEEMA had continuous dialogue with Central Electricity Authority, which was formulating the said Order on behalf of the Ministry of Power and also with the Department of Heavy Industry, Government of India. Public Procurement (Preference to Make in India) of Ministry of Power has been issued.

Earlier, as per the recommendations of Mission Plan 2012-2022 for Indian Electrical Equipment Industry, the Central Electricity Authority had issued guidelines to all Central and State Power Utilities that in domestically funded projects, the procurement of equipment / material should be from domestic / local manufacturers, through local competitive bidding. If at all ICB is to be resorted to the quoted price should invariably in Indian Rupees only to create a level playing field. Subsequently, IEEMA also





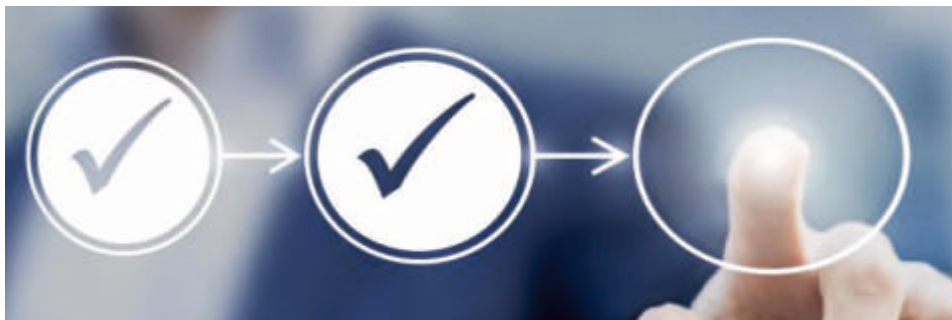
succeeded in getting the same clause included under National Capital Goods Policy of the Department of Heavy Industry Government of India.

It is evident that the Government of India is oriented towards combating increased imports and encourage domestic manufacturing, which will accentuate in the time to come. There also lies tremendous opportunity for the Indian industry in view of the trade conflict between USA and China which is indirectly helping India to boost its exports. This has also led to China reducing imports from the US and shifting to countries such as India. At the same time, there is a threat for dumping of more equipment by China in the Indian sub-continent.

## Companies (Amendment) Ordinance, 2018 promulgated

The Companies (Amendment) Ordinance, 2018 was promulgated on November 2, 2018. It amends several provisions in the Companies Act, 2013 relating to penalties, among others. Re-categorisation of certain Offences: The 2013 Act contains 81 compoundable offences punishable with fine or fine or imprisonment, or both. These offences are heard by courts. The Ordinance re-categorizes 16 of these offences as civil defaults, where adjudicating officers (appointed by central government) may now levy penalties instead. These offences include: (i) issuance of shares at a discount, and, (ii) failure to file annual return.

**Commencement of business:** The Ordinance states that a company may not commence business, unless it: (i) files a declaration within 180 days of



incorporation, confirming that every subscriber to the Memorandum of the company has paid the value of shares agreed to be taken by him, and (ii) files a verification of its registered address with the Registrar of Companies within 30 days of incorporation. If a company fails to comply with these provisions and is found not to be carrying out any business, its name may be struck off the Register of Companies.

**Change in approving authority:** Under the Act, change in period of financial year for a company associated with a foreign company, has to be approved by the National Company Law Tribunal. Similarly, any alteration in the incorporation document of a public company which has the effect of converting it to a private company, must be approved by the Tribunal. Under the Ordinance, these powers have been transferred to central government.

**Compounding:** Under the Act, a Regional Director can compound (settle) offences with penalty of up to five lakh rupees. The Ordinance increases the limit to Rs 25 lakh.

## Review of Competition Act

The Ministry of Corporate Affairs had constituted a Competition Law Review Committee to review the Competition Act of 2002 in view of the changing business environment. The Committee will also look at international best practices in the field of competition law, including anti-trust laws, merger guidelines and cross-border competition issues. It will also examine other regulatory regimes, institutional mechanism, and government policies which overlap with the Act.

## Reward rate of Merchandise Exports from India Scheme

IEEMA submitted a representation to Directorate General of Foreign Trade requesting enhancement in reward rate of Merchandise Exports from India Scheme (MEIS) from 2% to 5%, for Hard Drawn Bare Aluminium Conductors Steel Reinforced; Stranded Wire of Aluminium with Steel Core; and Other Stranded Wire of Aluminium, under Appendix 3B of Foreign Trade Policy 2015-20.

These Conductors are used in large majority of transmission and distribution circuits. While the global demand of Aluminium Conductors is estimated to be INR 50 Lac MT annually, creating an export opportunity of approx. INR 70,000 Crore, the Indian conductor industry could export only INR 4,970 Crore worth of these products in last three years.

Objective of the MEIS is to offset infrastructural inefficiencies and associated costs involved in export of goods / products, which are manufactured in India, especially those having high export intensity, employment potential and thereby enhancing India's export competitiveness.



## Inverted Duty Structure in Manufacturing of Electrical Contacts - HS Codes 85381010, 85381090 and 85389000

IEEMA submitted a representation to the Department of Industrial Policy and Promotion and the Tariff Commission, Government of India, regarding Inverted Duty Structure in manufacturing of

Electrical Contacts, under HS Codes 85381010, 85381090 and 85389000, leading to cost dis-advantage for domestic manufacturers vis-à-vis imports of the same.

The manufacturers of Electrical Contacts procure their main raw material, i.e. Silver, from the domestic market. The dealers fix the price of Silver by adding Basic Customs Duty of 10% (under Chapter Heading 71 - Silver, in any form, other than medallions and silver coins having silver contents not below 99.9% or semi-manufactured forms of silver falling under chapter sub-heading 7106) on LME rates, plus premium, plus freight insurance and dealer margin. This

makes the cost of input raw material high for the manufacturers of Electrical Contacts, mainly on account of expensive Silver (at 10% BCD) which form major portion of raw material, approx. 90%. Therefore, the Electrical Contacts sold by domestic manufacturers have high cost of production. Whereas, the finished Electrical Contacts, under ITC HS Codes 85381010, 85381090 and 8538 9000 attract a Basic Customs Duty of 7.5%.

IEEMA requested the Government of India to correct this inverted duty by increasing the Basic Customs Duty of Electrical Contacts from 7.5% to 10% (HS Codes 85381010, 85381090 and 85389000).

## Chinese supplies captured approx. 36% of the domestic market of electrical equipment

*Chinese supplies captured approx. 36% of the domestic market of electrical equipment, which have proved not only to be substandard and of suspect quality but looking at the smart grid could also pose a significant threat to the safety and security of the power systems and the national grid in the country. This subject has been raised by IEEMA*

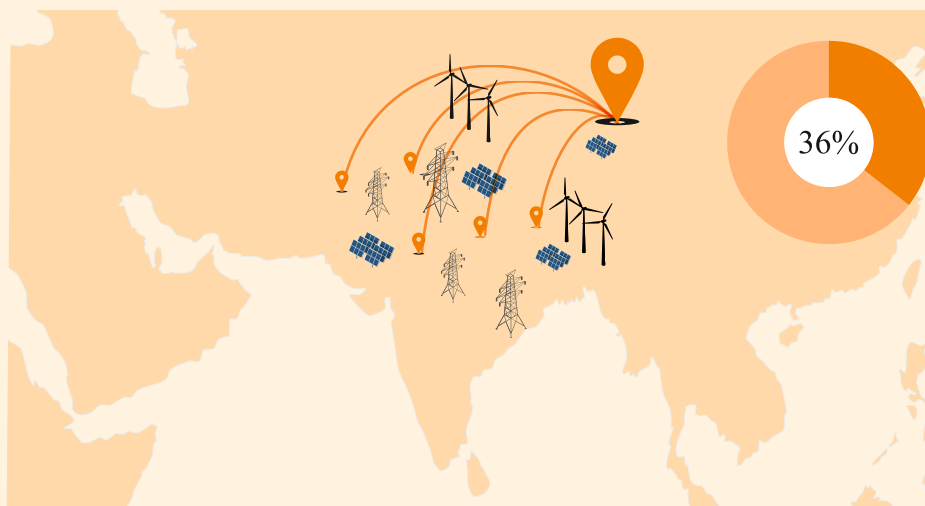
*for the last few years through representation to the Government and by raising the issue in the media.*

*Through consistent efforts, Government has moved from the stage of non-acceptance of existence of threat to appreciation of threat. Government had set up a committee, under CEA, to provide a report on*

*Cyber-attacks on the electricity grid, a critical infrastructure sector whose destruction could cause a debilitating impact on national security, governance, economy and social well-being of a nation.*

*Ministry of Power, considering the security of the national grid, had constituted a Committee, under Member (E&C) CEA to look into the issues of power firms, seeking to enter the Indian power transmission sector and to study the related issues of cyber security. The Committee also looked the matter relating to standards for technical specification, testing and sourcing of equipment, public material etc.*

*Various other arms of the Government are also seized about the challenge of the influx of Chinese goods and services causing a very high and adverse balance of payment, which is a cause of concern.*



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