

Chairman's Pen

My dear fellow exporters,

The first meeting of the Special Task Force, constituted by me under the Chairmanship of Shri Rakesh Shah was held in Mumbai on December 10, 2008. The main issues that emerged at the meeting were –

- While engineering growth in the months of October 2008 was 0.8% and was the only sector which recorded a positive growth rate in October'08, it was felt that the long gestation period of the engineering sector would ensure that engineering exports may exceed the last year's export growth of US\$ 33 billion by 10 to 15% this fiscal. However, the major impact of the crisis will be felt from April 2009 onwards when the current order cycle would have been completed for the companies. The STF, therefore, felt that the present positive growth was illusory and it would be wrong for the Government to be complacent about the fact that engineering sector was doing well when in effect it is the long gestation cycle that is overestimate the actual impact of the global crisis.*
- The STF noted that the engineering sector in India accounts for 4 million direct and indirect employment. In particular the SME sector plays a critical role in providing employment. For instance in the SME sector, engineering industry accounts for 24.8% of the total employment making it the largest employment segment in this sector. The cotton textile comes next accounting for 17% of total SME employment, while non-metallic mineral products account for 14.1% of the total SME employment.*
- The Special Task Force (STF) noted that companies had reduced their work force by an average of 35% with the upper end being 50% for some companies in the SME sector and 20% at the lower end by some. While the major cut backs were with respect to casual and/or indirect labour, a few companies mentioned that they had already cut permanent staff also. The STF expressed concern that this situation may aggravate and become serious after April 2009 when the gestation period with respect to the present work orders are completed.*

The Special Task Force also recommended a set of measures to be taken by the Government as well as the Council. These include measures to inject liquidity, increase interest subvention for engineering units to BPLR minus 6.5% as has been given to certain sectors like leather, bring back the concept of development banking and give more benefits to the Merchant exporters. The Council has already taken up the recommendations of the first meeting of the Special Task Force with the Hon'ble Prime Minister, the Hon'ble Commerce & Industry Minister and the Committee of Secretaries set up by the Finance Minister to look into the problems being faced by the Industry.

I do hope that the Government will come out with a separate package for the engineering industry as well.

Yours sincerely,



(AMAN CHADHA)