13. Other Issues & Recommendations

13.1 Ports

Complete digitisation requires to be undertaken for License registration by Customs at port/airports of India for improving turn-around times and reducing transactions costs. Pharmaceutical products should not be classified as general cargo and better facilities for storage (cold chain, etc.) need to be provided specially at the ports or airports which are important export centres for such products.

Improvement in availability of power and augmenting of facilities at major ports especially container terminals and bulk cargo terminals in order to reduce congestion is necessary.

Uniform charges for berthing in all Ports and EDI at all ports with message exchange stakeholders facilities ought to be implemented.

Highway connectivity from ports to the existing Chemical Zones and railway connectivity is absolutely necessary.

Pipeline transportation between ports & Chemical / Pharmaceutical Zones by Chemical / Pharmaceutical industry (using the existing pipeline infrastructure of public sector companies and other facilities on chargeable basis) ought to be encouraged.

13.2 Energy

The cost of power for the chemical/pharmaceutical industry in India is much higher as compared to China, Thailand, Indonesia and many other countries which render the country's industry less competitive in the international market. Irregularities in the delivery of power (voltage fluctuations, power cuts, etc.,) make it mandatory to set up alternate arrangements or have expensive captive power plants.

13.3 Transport

Under developed overland transport as well as port facilities mean that delivery schedules are often delayed, (viz., the time taken for delivery or the time taken for loading and unloading as well as the time required for obtaining clearance) leading to penalties as well as contributing to India's image as being somewhat unreliable in the international market.

13.4 Export Credit Guarantee Corporation (ECGC)

Export Credit Guarantee Cooperation needs to be made more effective particularly against the receipt of payments from CIS and East European countries. Department of Chemicals & Petrochemicals may need to address the problem.

13.5 Export Incentives

Duty Entitlement Pass Book (DEPB) should continue till an alternative scheme is in place.

13.6 Focus Market Scheme

Focus market scheme should be extended to all CIS countries, some of the LAC countries & Caribbean countries.

13.7 Service Tax / Excise

Levying of Service Tax for export services is not justified for exporters particularly for products having Brand Equity which are heavily advertised overseas and all services are rendered overseas. In all fairness all such services should be exempt from tax instead of the complicated drawback process. Moreover, the payment of Service Tax and subsequent claim of CENVAT or Drawback blocks the funds of the exporters and increases the transaction costs.

The requirement of producing a certificate of un-availed MODVAT duly countersigned by Central Excise Authorities for discharge of export obligation (which is required only against Value Based Licenses) seems to have no justification for Quantity Based Licenses. Arrangements for online applications seeking amendment/ extension of export obligation period/revalidation of licenses should be finalized.

13.8 DGFT Matters

1. The present input output norms for pharmaceutical products manufactured through non infringing processes are not captured in the current system. For export of bulk drugs, companies apply to DGFT for fixation of Input Output Norms for import of raw materials/ inputs under Duty Exemption Scheme. In such exercise, comparative data of other companies exporting same Product through conventional process is taken as one of the parameters/ basis for finalizing Norms of consumption of inputs. However, pharmaceutical products are patented through various production techniques & processes for reasons of patents and cost considerations. It has been noticed that the requirement of inputs by using Non Infringing patent processes are much higher than consumption norms available on record through conventional process. The present Foreign

Trade Policy (FTP) does not have any provision for considering such higher quantities of raw materials to avoid loss of revenue to exchequer.

A provision should be incorporated in the Foreign Trade Policy to consider fixation of separate SION for Non-infringing patented processes. DGFT may take up this issue for resolution.

2. Unrealised export receivable is another important issue which needs to be addressed. In order to penetrate various markets and expand the business in each market, entrepreneurs during their normal business process do take calculated risks. Under such scenario, APIs or formulations often get exported to scores of traders in addition to end users. Quite frequently all end users do not have dependable track records. Often ECGC covers costs more than the calculated bad debts. Due to variety of problems, certain portion of payments becomes unrealizable. In such cases, closure of licenses is a tedious process often taking several months. As the country advances, these problems multiply and there has to be some simplification of the system for closure of licenses. This will enable pharmaceutical manufacturers to focus on their core business more effectively.

   Voluntary disclosure of non-receipt and corresponding payment of duties availed along with specified interest to be paid by exporter to the concerned department must be considered for closing of licenses with automatic time limits.