

PRESS RELEASE

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“Shri Narendra Modi came to power in 2014 riding on the promises of ‘*Acchhe Din*’, Good Governance, Ease of doing Business, 10% GDP growth, Creation of 10 crore Jobs in five years, Digital India, Promising Crop Prices to Farmers by calculating cost + 50% profit, Return of Black Money and deposit of 15 lakhs in each Indian’s account, Reduction of inflation and a new Economic Vision.

‘Catch Headline Government’ vs. ‘Catch Investment Government’.

Shri Narendra Modi spoke to economists and industry watchers about a new ‘**Economic Blueprint**’ for India. A year has since passed by. ‘Economic Blueprint’ has turned out to be a ‘**Headline Management Print**’. An insatiable quest for ‘personal propaganda’, ‘event management’ and ‘attractive slogans’ has made Modi Government as ‘**catch headline**’ government rather than ‘**catch investment**’ government.

Congress laid Solid Economic Foundation

Contrary to high decibel malicious campaign of BJP as also global recession, India witnessed highest ever economic growth during 10 years of Congress-UPA rule i.e. 2004-2014. Indian economy grew at an astounding average of 7.6%. Per capita income rose three-fold from Rs.24,143 in 2004 to Rs.68,747 in 2012. Industry grew at 7.7%. Service sector grew at 9.5% and agriculture grew at 4.1%.

Foreign Exchange Reserve grew from USD 113 billion in 2003-04 to USD 300 billion in 2013-14 i.e. a three-fold increase. India attracted USD 318 billion of Foreign Direct Investment (FDI) between 2004-2014. Merchandise exports grew from USD 16 billion to USD 31.5 billion per year. Rural wages increased @ 17.5% per annum. Foodgrain production increased from 213 million tons to 263 million tons and agriculture exports jumped from USD 7.5 billion in 2002-03 to USD 42.6 billion in 2013-14. Multiple rights-based legislations and schemes ensured financial inclusion and a social safety net resulting in lifting a historic 14 crore people out of poverty bracket within 10 years.

BJP Splutters, Stutters and Squanders the Opportunity

Modi Government lacks the ‘economic vision’, ‘fiscal direction’ and ‘financial astuteness’ to propel India on a growth trajectory. Even senior BJP leader and Mr.

Modi's advisor, Shri Arun Shourie has clearly adjudged the government as 'lacking financial direction'. Nothing depicts it more than the following indices:-

(i) **Corporate and Industries loosing confidence in Modi magic**

- * India Inc appears to lose confidence in 'Modi Governemnt's 'real time delivery' then 'rhetoric'. India Inc definitely wants Shri Narendra Modi to affect 'Delivery' than 'Dialogue'.
- * Growth in eight core industrial sectors is down to 3.5% in 2014-15 i.e. lowest since 2009. (Coal, Crude Oil, Natural Gas, Refinery, Fertilizer, Electricity, Steel). Cement Industry has seen zero growth in December quarter with net profit slipping by 26%. In March, 2015, Cement Industry saw a reduction in output of 4.2%. Engineering companies are seeing zero increase in sales. Real Estate Sector is seeing negative growth. Index of Industrial Production (IIP) grew in March at 2.1% only.
- * Exports have fallen by over 11% in 2015 as compared to last year.
- * March 2015 quarter saw a reduction in aggregate sales for 315 big companies by 7% over the year 2014. Even the 'raw material to sales ratio' at 40% for the March 2015 quarter is lowest in last two years.
- * Captains of industry are expressing serious concerns. Shri Deepak Parikh, Chairman of HFC Bank recently said, "Nothing has changed on the ground" in terms of ease of doing business. Mr. Jim Rogers, a major foreign investor said, "I still own Indian shares and I wonder if I should continue holding because after a year of no action, you begin to wonder if anything is going to happen."
- * Industry is also highlighting two new concerns. Firstly, 'tax terrorism' in shape of backdated demands of taxes qua which a committee has now been constituted after considerable outrage by Foreign Institutional Investors (FIIs). Secondly, unchecked and unbridled socially divisive agenda being practiced by BJP supported rightwing groups and lumpen elements. This is sending out a wrong signal to investors.

(ii) **Employment in Ruins**

- * Lowest since July 2005, 'wage growth' has slowed to a paltry 3.8% by end of 2014. It is much lower than Consumer Inflation. Overall, job growth in key labour intensive sectors- textile including apparel, leather, metals, automobiles, gems and

jewelry, transport, IT – BPO, handloom and powerloom – is seeing a declining trend.

- * Having come to power with promise of creating two crore jobs a year, first year of Modi Government saw creation of mere 17.5 lakh jobs.
- * Dilution of the Factories Act, Apprentices Act and other labour laws has seen nationwide protests against Modi Government including BJP sponsored Bhartiya Mazdoor Sangh joining with the protesting unions.

(iii) Fallacy of Make-in-India

- * Modi Government has pitched ‘Make-in-India’ initiative at every opportune moment. Government has, however, done nothing to address the challenges of building global competitiveness in manufacturing demands, restructuring of inverted tax structure, leveling the high cost of inputs and resolving the crucial logistics issues. ‘Make-in-India’, thus, remains a slogan.
- * Exports have actually reduced to USD 23.88 billion in January 2015 as against USD 26.89 billion a year earlier. Agricultural exports of wheat, rice and corn alone have seen a drop of nearly 29% in 2014-15 i.e. equivalent to 135 lakh tons. Exports of other commodities like tea, coffee, tobacco, spices etc. have recorded a negative growth. Even some core exports areas like corn yarn, pharma, chemicals and jewelry sectors have performed poorly.
- * Another retrograde move reflecting lack of understanding of economic issues is the proposed 1% inter-State tax in the GST Bill. This goes against the spirit of GST and will be counter productive to ‘Make-in-India’.
- * One of the biggest failures of ‘Make-in-India’ is the multi-billion dollar Rafale Fighter Jet deal entered into by Shri Narendra Modi with French Government. Original deal negotiated for over three years through a transparent bidding process by Congress Government envisaged sale of only 18 Rafale Fighter Aircrafts from France and production of the remaining 108 Aircrafts by Hindustan Aeronautics Limited (HAL) through a Transfer of Technology Agreement. Modi Government bypassed the established ‘Defence Procurement Procedure’ and ‘Defence Acquisition Council’ to unilaterally order 36 Rafale Fighter Aircrafts from France with no clarity on transfer of technology or their production in India by HAL i.e. Government’s PSU. Modi Government converted one of the biggest fighter

aircraft manufacturing deals running into billions of dollars from 'Make-in-India' to 'Make-in-France'.

(iv) **Rural Economy and Population in Severe Distress**

- * Comprising 62.5% of India's population, 49% of its workforce and contributing 17% of GDP, 'Rural Consumption' is one of the biggest pillars of growth accounting for 35% of the economy. Modi Government's lopsided policies have resulted in severe farm distress. Rural wages have dropped from 17.5% in Congress regime to about 3%. Agriculture growth has dropped from 4.7% in 2013-14 to 1.1% in 2014-15 (Economic Survey 2015). Total grain output has dropped from 2650 lakh metric tons in 2013-14 to about 2500 lakh metric tons in 2014-15. Gross Capital Formation in agriculture has reduced from 18.3% of agriculture GDP in 2012-13 to 14.5% in 2014-15.
- * Shri Narendra Modi promised fixation of Minimum Support Price at cost + 50%. Modi Government, however, gave a (-) 0.3% change in MSP in October 2014 i.e. 7th lowest in 38 years. Even non-MSP crops have seen free fall in prices of upto 100%. Add to it the damage to over 200 lakh hectares of Rabi crops on account of rains/hailstorms running into loss of over Rs.40,000 crore; Rural Economy is in shambles.
- * On top of it, public investment in agriculture has gone down. 'Rashtriya Krishi Yojana' has seen a reduced allocation of Rs.7,426 crore and 'Pradhan Mantri Krishi Sinchai Yojana' has seen a reduced allocation of Rs.8,156 crore.

(v) **Rail Freight Hike to impact Railways, Industries and Rural Economy.**

- * Modi Government has hiked freight charges twice in 12 months i.e. 6.5% freight hike on 21st June, 2014 and a 10% freight hike on Cement, Coal, Foodgrain/Pulses, Urea, Kerosene, LPG as also 6.3% freight hike on Iron and Steel (upto from 0.8%) on 1st April, 2015. This will unjustifiably increase the cost of raw material impacting the Railways, Industry and Farmer alike.
- * Modi Government has also added a 10% Congestion Surcharge on 'Base Freight Rates' for 'Port Goods' w.e.f. November, 2014. Haulage charges have been raised by 27% in December, 2014. Besides the freight rates, these charges are making exports non-competitive affecting the export growth and economy.

(vi) **Service Tax Increase – Inflationary and Regressive.**

Modi Government has increased the rates of Service Tax from 12.36% to 14% making it applicable from 1st June, 2015. An additional 2% 'Swacchh Bharat Abhiyaan Tax' is also being levied taking the total liability to 16%. This will hit the entire service sector, middle class and lower middle class hard reducing the demands for goods and services and thereby affecting the economy and manufacturing activities.

(vii) **Prices of Food continue to be disproportionately high**

Shri Narendra Modi had spoken about 'Protein Revolution' where pulses would become available to every Indian. However, prices of pulses, fruits and vegetables are sky rocketing taking them beyond the reach of common man. Increased prices would mean lesser purchasing power and eventual contraction of economy. A chart depicting the inflationary increase in prices is attached.

(viii) **Successive Petro Prices Hike – Common man left in the lurch.**

- * In two successive hikes on May 01 and May 15, 2015; Modi Government increased price of petrol by Rs.7.09 per litre and diesel by Rs.5.08 per litre as an 'anniversary gift'. Coming as it does on the heels of a four time increase in excise duty and increase in import duty from 2.5% to 7.5% on crude oil by Modi Government in 12 months, its spiraling inflationary pressure for the economy is for all to judge.
- * Truth is that price of Indian Crude Basket was Rs.6318.76 per barrel on 26th May, 2014 (<http://pib.nic/newsite/>) i.e. date of assumption of power by Modi Government. It stands reduced to a mere Rs.4141.94 per barrel as on May 16, 2015 (<http://pib.nic/newsite/>). This means that there has been a 34% fall in crude price. As against this, Government has reduced prices of petrol by 7% and diesel by 7.8%. Add to it, the four time increase in excise duty and customs duty leading to additional accrual of Rs.90,000 crore per annum, it is apparent that Modi Government is profiteering from the common man by not passing on the benefit of reduced petro prices on one hand and imposition of taxes on the other hand. All this is leading to inflationary pressure on the economy.”