



# the agenda



## Looking Back...

India is poised to be the world's engine of economic growth. During the year, the Indian economy was one of the bright spots in an otherwise fragile global environment vitiated by natural disasters, sovereign debt crises, and uneven recovery. GDP growth at 8.6% was broad based across agriculture, industry, services, and exports. I expect the high Indian growth trajectory to continue in the medium term, propelled by robust domestic demand and strong corporate performance.

Despite India's impressive economic performance and its immense potential, valid concerns are being expressed that the growth process has to be more inclusive

CII activities surged under the overall theme of '**Business for Livelihood**' which focused on the four pillars of Education and Skill Development, Employability, Entrepreneurship and Innovation for inclusive growth. We interacted on this theme with the Prime Minister and senior ministers. I must say that our theme was very well received and CII came out with a ten-point agenda for achieving 10% GDP growth, laying stress on education, agriculture, labour reforms, urbanization and other areas. Governance was a key plank of our activities through the year.

CII worked closely with the Government on major issues of the economy including GST, Direct Tax Code, Companies Bill, Agriculture, Manufacturing, Infrastructure, Energy & Climate Change, Insurance, Capital Markets, Mining, Land Acquisition and a host of other issues. Over the year, CII had 31 Councils, 50 Committees, 5 Task Forces and 5 special initiatives that articulated

industry's views effectively. Regional offices too took up a range of policy issues with respective state governments. Such partnerships between the government and industry enlarge the space for business to be an effective player in inclusive development and nation building.

I firmly believe that India can leverage its large workforce in the global arena only if the private sector engages in the interlinked issues of **Education and Skills Development**. One percent expansion in GDP leads to an additional 0.8-1 million new jobs. Further, livelihood opportunities can be fostered by nurturing entrepreneurship and innovation.

With skill gaps estimated at 240 million, the government has set a target of skilling 500 million persons by 2022. I am proud that CII has taken a lead role in this endeavour with eleven CII Skill Development Centers in the pipeline and a range of multi-pronged activities.

In Education, the Right to Education Act has fundamentally altered the scenario. Public private partnership is essential to revitalize school and higher education. CII submitted recommendations on possible models, key suggestions on critical Bills on higher education and create unique platforms for eliciting views and action agendas.

To foster a new culture of **Innovation**, CII would be setting up a number of Industry Academia Innovation Centres across the country. The first such centre is being set up in the State of Gujarat for which we have recently signed an MoU with the State

Government. We have also established a '**Global Innovation and Technology Alliance (GITA)**' in partnership with the Ministry of Science & Technology to enable Industry partnerships for both Innovation and Technology.

Three **new Centres of Excellence** were initiated during the year. The CII Jubilant Bhartia Food and Agriculture Centre of Excellence (FACE) is coming up in Noida. It was a special honor that President Obama stopped to enquire about the model of FACE during his visit to India in November. The new Visionary Leaders for Manufacturing (VLFM) Institute also furthers the efforts in entrepreneurship and innovation under the guidance of Professor Shoji Shiba. The CII Water Institute is expected to come up shortly.

I must say that India's resilience and rapid pace of growth are attracting **global attention** for the opportunities they present to overseas businesses. This was reiterated by the visit to India of leaders of all five P-5 countries, China, France, Russia, UK and USA as well as many other heads of state and government. The economic partnership agreements with key trading entities such as Korea, Japan, and ASEAN among others further indicated their desire to engage with India.

CII spearheaded the unique campaign of '**India Inclusive at Davos 2011**' as part of its international agenda. Facilitating a large delegation of key policymakers and top industry leaders, India's blitz included advertising, media, and cultural interaction. The India Adda, an informal meeting place complete with street food and masala chai, was much appreciated, as were the foot-tapping India Soiree and strong Indian presence at sessions during the WEF Annual Meeting. Apart from the regular International Engineering and Technology Fair (IETF), the CII brand has attained high visibility in India and overseas through its wide range of events and trade fairs.

CII participated actively in global engagements, highlighting the new opportunities in a growing India and to emphasise the need for undertaking co-ordinated actions. I was privileged to represent Indian industry in the G 20 Business Leaders' Forum in Toronto. President Obama attended the US-India Business and Entrepreneurship Summit co-hosted by CII. A special distinction came when Premier Wen Jiabao of China conferred the China-India Friendship Award to Chandrajit Banerjee. CII Missions – CEO's, sectoral and MSMEs, traversed the world throughout the year.

**Governance and Integrity** are today seen as central to the task of inclusive growth and CII remained steadfast on advocacy and awareness efforts. Corporate Governance received high attention in the proposed Companies Bill and CII worked actively to propagate industry perspectives. Heavy-handed regulation may jeopardize normal business activity, and corporates are strongly engaging in voluntary efforts. CII's Governance Series further consolidated awareness on the subject.

I am particularly pleased with CII's initiatives in **Corporate Social Responsibility**. The CSR-CSO Bridge is emerging as a vital forum

for interaction of industry and civil society to boost common initiatives that provide direct succor to our fellow citizens. Following the Leh flash floods, a Task Force was set up for relief and rehabilitation. Relief material of Rs 1.2 crores was procured and 50 houses are to be built to help rebuild damaged lives. Disaster management is proving to be more crucial as the world increasingly witnesses nature's power.

CII's **Affirmative Action** Agenda is now recognized as impacting thousands of lives under the 4 Es of Education, Employability, Employment and Entrepreneurship. I am happy to note that considerable progress has been made in companies adopting the Affirmative Action Code. Let me reiterate that industry's role in integrating the traditionally deprived sections of society into the mainstream must be stepped up for inclusive growth.

I am pleased to state that during the year, CII successfully rolled out its **Membership** engagement platform, mycii, which connects members directly with each other and with CII. This not only facilitates communication but also improves access to CII's large range of publications on key topics. I urge members to leverage this special space as a social network.

It was a special privilege to lead CII during these exciting times. I am deeply grateful to the Past Presidents for their advice and guidance. I would also like to thank Vice President, Mr B Muthuraman, for stepping in whenever needed, and for his strong support. The Regional Chairmen and Deputy Chairmen, Chairmen of National Councils and Committees and the CII Secretariat rendered invaluable assistance, for which I warmly thank them.

I personally enjoyed this responsibility and gained enormously by way of the rich experience this assignment gave me. The spread of CII's work, its depth and its engagement at different levels, both in India and globally, has always amazed me but to experience it first hand was indeed very satisfying and challenging at times.

CII is a great institution and its strength lies in the unstinted support it gets from its membership.

I do sincerely hope we will all continue to be engaged with this great institution.



**Hari S. Bhartia**  
President CII





## Moving Forward ...

This was a year when the Indian economy consolidated after the global recession of the previous two years. Exhibiting extraordinary buoyancy, the GDP grew at 8.9% in the first half of the year and is expected to end with 8.6% for the full year. At this rate, India's GDP will almost double to \$2.4 trillion in current terms and per capita income will cross \$1800 in the next five years, an encouraging prospect.

While all the three sectors displayed resilience, industry has exhibited decelerating growth over the year. Inflation too remained beyond comfort levels during the year, eliciting strong action from the central bank which raised interest rates eight times after exiting from recession-induced stimulus. Liquidity continued to be tight due to rise in credit-deposit ratio. Within this scenario, CII's sectoral activities remained intense in all areas, including making policy recommendations to the Central and State governments, industrial competitiveness, and external engagement.

On the **Policy** front, the two key tax reforms in Goods and Services Tax and Direct Tax Code remained on the table as implementation was pushed back. CII has made constructive suggestions on both reforms, and has deliberated extensively throughout the country on the proposed measures to raise awareness and build consensus. On GST, CII has recommended retaining current rates

of central VAT and excise, correction of inverted duty structures and simplification of tax administration.

The National Manufacturing Policy was a major area of discussion and CII submitted holistic views on the DIPP discussion paper and the issues related to Press Notes 2, 3 and 4. The Land Acquisition Bill is pending as well and CII has raised the issue of creating land banks to facilitate availability of land for industrial purposes. CII also made major recommendations on financial sector reforms and development of the corporate bond market for long-term financing needs as well as promoting financial inclusion so that the fruits of growth are spread more equitably. Inputs for the various trade agreements under negotiation as well as WTO Doha Development Round discussions were also presented.

The **Agriculture** sector rebounded strongly from the drought of the previous year, posting growth of 5.4%. However, to ensure food security, it is essential to revitalize farming and build linkages with industry for greater productivity. The CII National Council on Agriculture set up several expert groups and submitted a range of recommendations to the government.

**Industrial growth** fluctuated over the year, displaying variability month to month and across sub-sectors. Slow growth in the consumer non-durables sector was a concern as inflation eroded the purchasing power of consumers. The government has

announced its intention of raising the share of manufacturing in GDP to 25% by 2022 from the current 15% and this will require sustained policy intervention. National Manufacturing Investment Zones have been suggested and CII has given the industry perspective on the issue.

CII's ASCON keeps tabs on industrial performance and confidence through its regular survey series which can prompt early action. Recent surveys have highlighted the challenges to manufacturing growth, including rising input prices, infrastructure deficits, competition from imports and inadequate credit supply. The new National Manufacturing Policy would need to draft measures to further boost India's competitiveness in the global economy. A special meeting of ASCON was convened to discuss the 12th Five-Year Plan.

I would like to especially mention CII's efforts in the defence and aviation manufacturing sectors, both emerging growth hotspots. CII National Defence Council's interventions on Defence Procurement Procedures found mention in the policy of 2011. CII has taken a lead in co-organising the high-profile Bengaluru Space Expo and Aero India 2011 in partnership with designated ministries.

On the **Infrastructure** front, the CII Infrastructure Council has actively given inputs on facilitating public private partnerships, finance, and procedural issues. Road-shows were conducted in key countries to attract FDI.

**Urbanisation** too was a major concern. With an expected 140 million people moving to cities by 2020, intelligent urbanisation is the need of the hour. About \$1 trillion will be required to make Indian cities habitable for new migrants, according to the CII report on 'Intelligent Urbanisation' prepared in partnership with Booz & Co.

With the enactment of the Bill for the development of micro, small and medium industries, the **MSME** sector has been rejuvenated. However, the global recession caused several challenges for the sector. Since MSMEs are a significant employment generator, special attention needs to be accorded to their competitiveness. The CII MSME Council has been engaging with policymakers for requisite infrastructure, credit, and simplified procedures including the launch of the Indo-US SME Forum during the CII SME mission to USA.

I am delighted to note that the **CII Centres of Excellence** have carved out a critical role for themselves in the overall competitiveness quest through their strong advisory, consultancy and training services. I am proud of the launch of the Visionary

Leaders for Manufacturing (VLFM) Institute in partnership with the Government of Japan and the guidance of Professor Shoji Shiba. This imparts impetus to our efforts to create the next generation of manufacturing leaders to make Indian companies world-class.

Sectorally, many new and unique initiatives have been taken by the various national and sub-committees with a special thrust on creating new models of cooperated work programmes with the Government. The first CII National HR Excellence awards were presented after stringent assessment. Industrial Relations were furthered through a stakeholders' dialogue with trade unions to forge better understanding partners in industrial development.

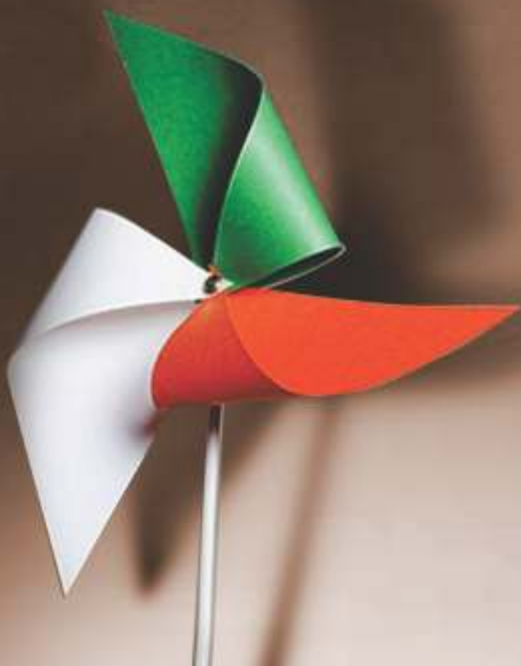
It was immensely rewarding to attend to CII's multidimensional sectoral interventions. It is such facilitation that enables Indian industry to power ahead even during challenging circumstances. I deeply appreciate the guidance and support of Mr Hari S Bhartia, CII President, as well as the hard work of all council and committee chairpersons.

As India moves forward in its growth path, there are many challenges to overcome. Of the many challenges, three, viz. social unrest, matching skills to manage the growth potential, and improved transparency in governance, I believe, are fundamental. In line with this, CII will focus even more strongly on Affirmative



**B. Muthuraman**  
President - Designate, CII





# The Vision



## India@75

In an attempt to develop an aligned vision for India for the year 2022, CII adopted a grassroots initiative in 2008, undertaking a nation-wide visioning exercise, engaging various stakeholders: government, industry, NGOs, consumers, students, professionals, farmers, et al, in public dialogue. This resulted in **India@75 – The People's Agenda** and revolved around 10 themes, including Skill Development, Urbanisation and Sustainability.

The Year 2010 – 2011 started out on an emotionally trying note, with the passing away of Prof C K Prahalad, the driving force behind India@75, in April 2010. CII paid tribute to Prof C K Prahalad through memorial services in Chennai, Delhi and Mumbai in July.

Soon after, a special session on '**India@75: Creating an Inclusive India by 2022**' was organized to rededicate our commitment to India@75, and take stock of the initiatives undertaken under the key adopted themes.

In October, CII organized a session with the University of Michigan India Alumni Association on **Co-creating India@75**, which explored the opportunities

of entrepreneurs and managers, amongst others.

While most of the year was dedicated to creating an inclusive framework to deliver on the India@75 Agenda, certain noticeable projects were initiated with various external stakeholders, including the National Skill Development Corporation (NSDC). **Skillpedia**, a pan-India, open-source free-to-use online portal, seeking to achieve the dual objectives of skills training and employability; and matching supply of skills with demand across India, is on the verge of deployment.

To promote Entrepreneurship in Vocational Skills, CII is co-organizing an **Enterprise Plan Competition** with NSDC, where the winners will be encouraged with incubation support through a reputed institution.

The People's Agenda envisages the creation of 500 new and well planned cities to cope up with the urbanization demand of developing India. CII was instrumental in piloting autonomous **City Connect projects** in Bangalore, Chennai and most recently in Pune, to work collaboratively



with various stakeholders including local authorities, institutions, NGOs, RWAs, etc to address local issues of urbanization and provide a platform to the people's voice.

Over the year, the India@75 team dialogued with various potential stakeholders (either through one-on-one or group consultations) to chalk out opportunities for engagement in the coming years.

Within CII, India@75 was extensively discussed/ portrayed at internal meetings, get-togethers and induction programmes for the new joinees.

If 2010-2011 was about laying the framework, the coming years are about delivering the commitment. Though indeed a Herculean task, it promises to be an exciting journey for India!



▲ **Dr. Manmohan Singh**, Prime Minister of India, addressing the Memorial Service for late **Prof. C K Prahalad** in New Delhi



▲ **Chandrajit Banerjee**, Director General, CII; **Nandan Nilekani**, Chairman, UIDAI; and **Tarun Das**, former Chief Mentor, CII; at an India@75 Session in New Delhi



▲ Plan of Bangalore City Connect Project



# Corporate Governance



## Corporate Governance

The Corporate Governance Council focused on the challenges of the regulatory regime proposed under the new Companies Bill, 2009. The Council undertook extensive advocacy on the subject and represented industry's concerns vis-à-vis some of the provisions of the proposed Company Law and explained why such provisions were undesirable.

### Events

- The 6th edition of CII's flagship **Corporate Governance Summit**, debated the theme 'Can Legislation Facilitate Better Governance?' in December in Mumbai. The Summit, set against the backdrop of the recommendations of the Parliamentary Standing Committee on the Companies Bill, focused on the challenges of the regulatory regime proposed under the new Company Law. The Summit was inaugurated by Mr Salman Khurshid, then Union Minister of State (IC), Corporate Affairs and Minority Affairs, (currently Union Minister of Water Resources with additional charge of



At the CII Governance Series Sessions in Mumbai :

▲ **Rahul Bajaj**, Past President, CII, Chairman, CII National Council on Corporate Governance, and Chairman, Bajaj Auto Ltd; **Zia Mody**, Chairperson, CII M & A Forum, & Managing Partner AZB & Partners; and **Neville M. Dumasia**, Executive Director & Head, Governance, Risk & Compliance Services, KPMG in India

▼ **B Muthuraman**, President Designate, CII, & Vice Chairman, Tata Steel Ltd

▼ **Deepak Parekh**, Chairman, HDFC Ltd







▲ **Chandrajit Banerjee**, Director General, CII; **R Bandyopadhyay**, then Secretary, Corporate Affairs; **Salman Khurshid**, then Union Minister of State (IC), Corporate Affairs and Minority Affairs, (currently Union Minister of Water Resources with additional charge of Minority Affairs); and **Rahul Bajaj**, at the Corporate Governance Summit in Mumbai

Secretary, Corporate Affairs, was the Guest of Honour.

Mr. Rahul Bajaj, Past President, CII, Chairman, CII National Council on Corporate Governance, and Chairman, Bajaj Auto Ltd, in his theme address, emphasized that a large part of India Inc. has voluntarily adopted good governance practices, and there is no need for more regulation focused on governance issues. Corporate leaders addressed the issue of achieving an equitable balance between regulations and voluntary practices beyond the rubric of law.

- A conference on '**The Challenges of the Dynamic Business Environment**' in New Delhi in September focused on emerging challenges in the accounting domain, such as IFRS and XBRL, the new tool for financial reporting, and deliberated on the proposed regulatory changes to SEBI's Takeover Code.
- The **CII Governance Series** is organised annually with visionaries of corporate governance to disseminate changing trends in corporate governance. This year, the tri-part series, held between December 2010 to February 2011 in Mumbai, featured interactions with Mr Deepak Parekh, Chairman, HDFC Ltd, Mr Rahul Bajaj, and Mr B Muthuraman, President Designate, CII, and Vice Chairman, Tata Steel Ltd.
- Mr Salman Khurshid released literature published by CII on Investor Education and Protection titled 'A Beginner's Guide to the Capital Market' at the conference on '**Governance: The Essence of Investor Protection**' in Mumbai in July, during India Investor Week 2010.



▲ **T N Manoharan**, Chairman, CII National Committee on Accounting Standards, and Managing Partner, Manohar Chowdhry & Associates, addressing a conference on 'Corporate Governance and Credible Disclosures' in New Delhi. Also seen: **Suresh Senapaty**, Executive Director & CFO, Wipro Ltd; **Sunil Verma**, Deputy Comptroller and Auditor General, and Chairman, Audit Board; and **R Bandyopadhyay**

## Policy Advocacy

- CII's views and suggestions on the Report of the Parliamentary Standing Committee on Companies Bill, 2009 were submitted to the Ministry of Corporate Affairs and other stakeholders.
- A memorandum was also submitted to the Department of Industrial Policy and Promotion, suggesting that the growth of Indian multinationals is severely restricted by the regulatory framework for cross border transactions. CII highlighted regulatory overlaps and conflicting provisions which impose substantial restrictions on the quantum and size of overseas deals, and offered suggestions towards the creation a more facilitative environment for



# Policy Advocacy

- Economic Policy
- Economic Research
- Public Policy



## Economic Policy

With India having weathered the global financial crisis reasonably well, this year CII took a leadership role in representing views and suggestions that ensured focus on India's domestic issues. This involved comprehensive and sustained policy advocacy to the government on fiscal and monetary policies, amongst others.

A large number of suggestions aimed at ensuring inclusive domestic growth found resonance in policies on major domestic issues. Towards a sustained growth momentum, CII ensured a close monitoring of industry and the economy in order to identify major concerns.

CII submitted its Pre- budget Memorandum for Budget 2011-12 to the Revenue Secretary and his team in December. This was followed by a submission to the Finance Minister, suggesting a set of policy measures for the Budget to sustain the current growth momentum of the economy. Our Pre-budget Memorandum continued to urge the reduction of fiscal deficit by augmenting revenues and rationalizing expenditure.

As part of the suggestions on **Indirect Taxes**, CII stressed the need to converge to a simplified and rational taxation



▲ **Pranab Mukherjee**, Finance Minister of India, with **B Muthuraman**, President-Designate, CII, and **Hari S Bhartia**, President, CII, at a meeting in New Delhi

system along with regulations to ensure a smooth transition towards the Goods and Service Tax regime. A balanced approach was advocated to ensure revenue raising coupled with incentives to industry.

CII continued to actively pursue its policy work on the Goods and Services Tax and the Direct Tax Code Bill. Following the submission of a comprehensive memorandum covering broad recommendations of industry on the DTC last year, CII provided inputs on a regular basis.

With regard to GST, CII aimed to address the issue of state acceptance. To this end, consensus building exercises on

of different industry groups belonging to states with varying tax rates. More importantly, CII is constantly talking to state governments who are opposing GST as well as to the opposition parties in Parliament to push for early implementation of GST.

Joint Secretaries from the Ministry of Finance had an informal meeting with CII members to understand the impact of proposed GST in various sectors.

## Economic Research

The CII Economic Research Group keeps members updated on the economic, political and business conditions across the country and abroad. This is made possible by:

- Commenting on the domestic and international economic scenario to throw light on emerging trends that are relevant to India's corporate sector.
- Closely tracking policy developments to analyse the immediate as well as long-term impact of policy changes and make broad policy recommendations.
- Comprehensive industry analysis to understand the industry dynamics and assess the growth potential and profitability in the broad regulatory and policy environment.
- Conducting surveys to understand business conditions and sentiment.

To enhance value to our membership, and industry, we bring out various publications including a monthly report, Economy Watch, as well as a weekly Update.

In addition, our Industry Reports provide a detailed analysis of major sectors. Each report includes strategic considerations of the sector, such as competitiveness, risks and other issues. The report also includes the industry



▲ ASCON Meeting in Mumbai

structure, demand supply scenario, global developments, duty structure, industry financials and regulatory and competitiveness, in order to assess the attractiveness of the sector.

## Surveys

CII's Industrial Economic Survey and Research Department carried out a variety of surveys in the year. As part of a regular series, we estimated the growth rates of sectors for April – June 2010 over April – June 2009, and April-December 2010 over April-December 2009. This was shared with members of the Association of Councils, (ASCON). The ASCON Meetings were a platform to communicate the priority policy issues of the CII National Council. CII continues to make concerted efforts to expand the membership of the Council to make it more broad based.

We also released detailed surveys on the Services Sector



**Ashutosh Dikshit**, Jt Secretary, Finance;  
**V.K. Garg**, Jt Secretary, Finance;  
**Sunil Kant Munjal**, Past President, CII, & Chairman, CII Economic Policy Council, & Chairman, Hero Corporate Service;  
**Dr. Kaushik Basu**, Chief Economic Advisor, Ministry of Finance; **S.D. Majumder**, Chairman, Central Board of Excise and Customs; and **Chandrajit Banerjee**, Director General, CII, at the Post Budget Interaction in New Delhi





# Public Policy

CII's Public Policy initiatives create an interface with Members of Parliament, Legislators in the states, and other political leaders about the state of the Economy and Industry, while building broad consensus on social, national and international issues.

## Discussions with Parliamentary Standing Committees

Various Parliamentary Standing Committees invited CII to discuss the status of Defence R&D in India; to review the New Exploration Licensing Policy; and to discuss the Bills on Direct Tax Code, Insurance, Companies Act, The Protection and Utilization of Public Funded IP, the Academy of Scientific and Innovative Research, and Civil Liability for Nuclear Damage.

## Interactive Sessions with MPs

A series of interactive sessions with Members of Parliament from nine different states was organized between 10-26 August in New Delhi, during the Monsoon Session of Parliament. The meetings were attended by MPs from different parties, from Andhra Pradesh, Chhattisgarh, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Orissa, Tamil Nadu, and Uttarakhand.

## Members of Parliament in Japan

CII and the Sasakawa Peace Foundation organised the visit of a multi-party delegation of four Indian Members of Parliament to Japan in February 2011.



▲ Session with MPs from Madhya Pradesh in New Delhi



▲ Interaction with MPs from Chhattisgarh in New Delhi



▲ Indian MPs with Yoshiro Mori, former Prime Minister of Japan, in Tokyo

The delegates, Mr. Ranjitsinh Vijaysinh Mohite-Patil, Ms. Shruti Choudhry, Mr. Takam Sanjoy and Mr. Tarun Vijay, met four former Prime Ministers of Japan, Mr. Yukio Hatoyama, Mr. Mori, Mr. Fukuda, and Mr. Abe, and later, the Vice Minister for Foreign Affairs, Ms. Makiko Kikuta, in Tokyo. The delegation also visited the Suzuki Motors headquarters at Hamamatsu, and then went on to Hiroshima.



◀ At the session with MPs from Andhra Pradesh in New Delhi