

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:2011
ANSWERED ON:20.07.2009
PROBLEMS OF DIAMOND INDUSTRY
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether the Indian diamond industry is facing constraints due to global slowdown;
- (b) if so, the details thereof; and
- (c) the measures being taken by the Government to promote and protect diamond industry and their workers alongwith the outcome achieved thereon?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JYOTIRADITYA M. SCINDIA)

(a) & (b) Due to the global slowdown, there has been a fall in consumer demand in major export destination markets resulting in accumulation of inventory, delay in realization of export receivables etc. for the Indian diamond industry. As a result, export of cut and polished diamonds has registered a negative growth.

(c) Some of the measures taken by the Government to promote and protect diamond industry and their workers are:-

- (i) The period of entitlement of the first slab of pre-shipment rupee export credit, available at a concessional interest rate ceiling of the benchmark prime lending rate (BPLR) minus 2.5 percentage points has been extended from 180 days to 270 days.
- (ii) The period of entitlement of the first slab of post shipment rupee export credit, available at a concessional interest rate ceiling (not exceeding BPLR minus 2.5 percentage points) have been extended from 90 days to 180 days.
- (iii) Prescribed interest rate as applicable to post shipment rupee export credit (not exceeding BPLR minus 2.5 percentage points) has been extended to overdue bills upto 180 days from the date of advance.
- (iv) Pre and post shipment rupee export credit have been provided an interest subvention of 2 percent subject to minimum rate of interest of 7% per annum.
- (v) Additional funds of Rs.1,100 crore has been provided to ensure full refund of terminal excise duty / Central Sales Tax.
- (vi) Government back-up guarantee has been made available to Export Credit Guarantee Corporation of India Ltd. to the extent of Rs 350 crore to enable it to provide guarantees for exports to difficult markets/products
- (vii) Exporters have been allowed refund of service tax on foreign agent commissions of upto 10 percent of FOB value of exports and refund of service tax on output services while availing of benefits under Duty Drawback Scheme.
- (viii) RBI has extended a line of credit of Rs.5,000 crores to EXIM Bank to provide pre-shipment and post shipment credit, in Rupees or Dollars to Indian exporters at competitive rates.
- (ix) Ceiling rates on export credit in foreign currency has been raised to LIBOR + 350 basis points subject to the condition that the banks will not levy any other charges, i.e., service charge, management charge, etc. except for recovery towards out-of-pocket expenses incurred.

In the year 2009, the Government has given following incentive to the diamond industry under the Foreign Trade Policy 2004-09 –

- (i) The threshold limit for recognition of Premier Trading House has been reduced to Rs.7500 crores from Rs.10000 crores in export turnover in the previous three years and current year taken together.
- (ii) Surat in Gujarat has been recognized as a Town of Export Excellence.

In the Union Budget 2009-10, following facilities have been extended to the diamond industry –

- (i) Interest subvention of 2% on rupee export credit has been extended to March 31, 2010

(ii) Service Tax has been exempted on services received by exporters from goods transport agents and commission agents, where the liability to pay service tax is ab initio on the exporter. An exporter will not be required to first pay the tax and later claim refund.

(iii) Service Tax exemption for other services received by exporters would be operated through the existing refund mechanism based on self-certification of the documents where such refund is below 0.25 per cent of FOB value and certification of documents by a Chartered Accountant for value of refund exceeding the above limit.

(iv) Sun-set clauses for the tax holiday (deduction in respect of export profits available under sections 10A and 10B of the Income-tax Act) has been extended by one more year i.e. for the financial year 2010-11.

(v) Allocation for Market Development Assistance Scheme has been enhanced to Rs.124 crore

The above measures have been taken to infuse sufficient liquidity in the system to ensure availability of adequate credit to the industry and support exporters and consequently benefit its workers.