Bombay Chamber of Commerce & Industry

Bombay Chamber Review

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Union Budget: 2017-18

Bombay Chamber of Commerce & Industry

The Bombay Chamber of Commerce and Industry is India's premier Chamber of Commerce and Industry situated in Mumbai, the industrial, financial and commercial capital of India. Established in 1836, it is one of the oldest Chambers in the country and has a long and illustrious history of continuous service to trade and industry.

The Chamber can boast not only of its longevity but also of its impeccable lineage. With more than 4000 prime companies as its members, the Chamber represents the cream of Indian Industry, Commerce and Services. While the name 'Bombay Chamber' conjures images of an organization representing exclusively a city-based membership, in reality it represents a wide spectrum of highly reputed and professionally run companies which are based in the city of Mumbai, but whose manufacturing facilities and commercial influence spread not only all over India but also internationally.

The Chamber uniquely represents large and medium sized Corporations, Banking and Financial Institutions, professional Consulting Companies and a large number of Multinationals. It comes as no surprise that today the Bombay Chamber's membership represents as much as a third of the country's GDP in the manufacturing and service sectors.

Bombay Chamber of Commerce and Industry
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"Union Budget, 2017-18: Implications for Economic Growth"

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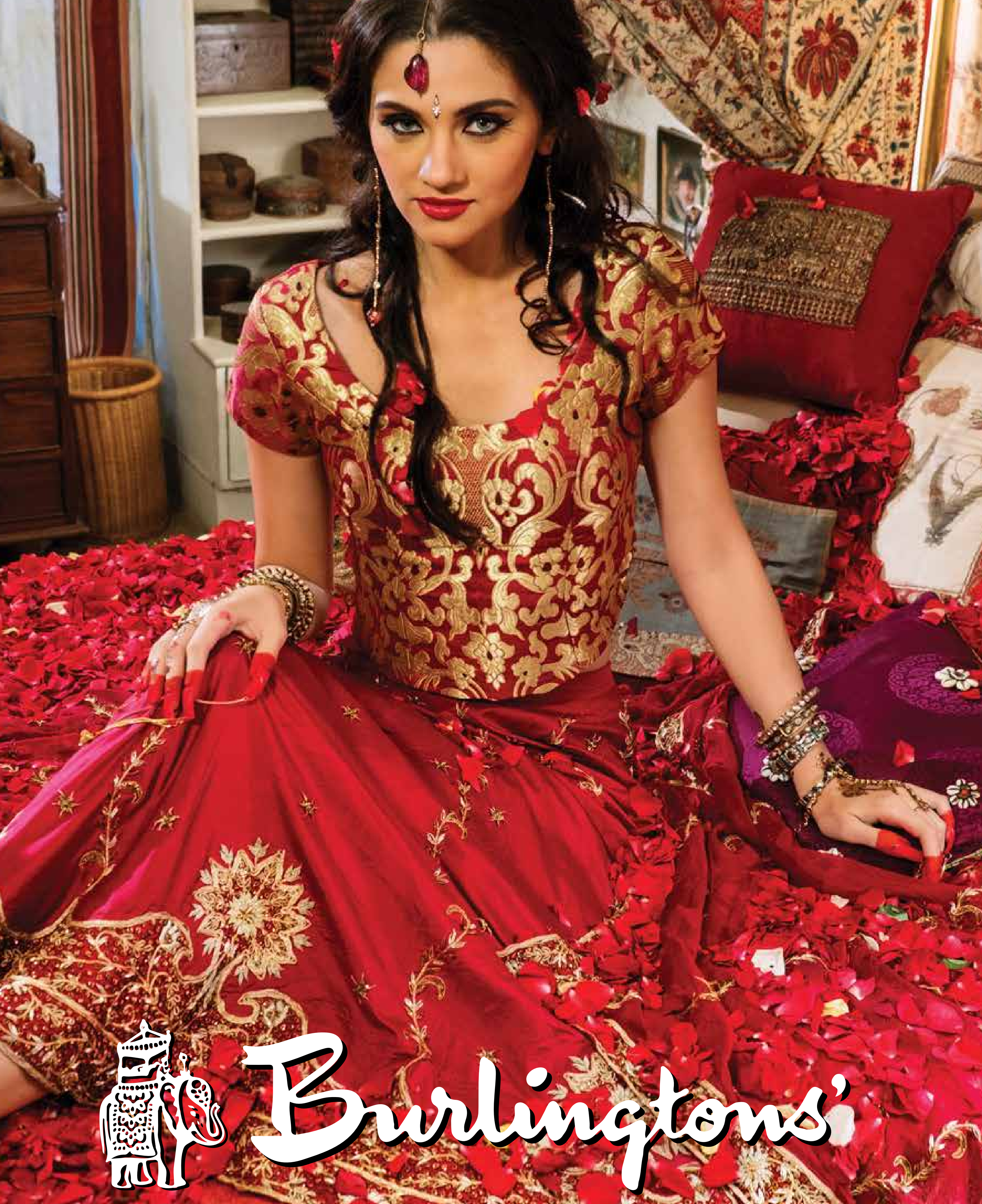
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Director General Writes

Dear Members and Friends,

On 1 February 2017, the Hon'ble Finance Minister announced Union Budget for 2017-18 amidst significant expectation as well as anxiety. The Union budget has been not merely a financial statement required to be placed in Parliament under Article 112 of the Constitution, but a mechanism to transmit policy directions to the economy. It also provides important signals on the extent of government interventions in the market.

Unlike in the past, this year the budget presentation has been advanced by a month to complete the process of passing it in Parliament within the financial year. Also, the merger of the railway budget with the main budget helps to plan and develop the transport sector as a whole. Most importantly, the abolition of the plan and non-plan distinction, helps to look at each of the sectors in a holistic manner and avoids distortions in allocating resources between maintenance of existing assets and creation of new assets.

The budget this year has been presented in a difficult international and post demonetisation domestic economic environment. And the finance minister must be complimented for continuing the process of fiscal consolidation. But the critics do argue that in a situation where the growth scenario is hampered by a poor investment climate, the most important initiative the government should have taken to revive the investment climate and to substantially step up public investment. Hence, much was expected in the budget to kick-start a virtuous investment cycle but it does very little to revive the investment climate in the country. This is in spite of significant increase in FDI.

During January- February, 2017, Bombay Chamber organized number of events including Pre Budget, Budget Day and Post Budget event to formulate the view point of the Chamber and communicate the same. This edition of the Journal features insights from those events where eminent personalities including **Dr. C. Rangarajan, former Governor, RBI , Dr. Rathin Roy, Director, National Institute of Public Finance and Policy, Mr. Paranjoy Guha Thakurta, Editor, Economic & Political Weekly, Professor Ashima Goyal, Indira Gandhi Institute for Development Research, Professor R. Nagaraj, Indira Gandhi Institute of Economic Research, Professor, Surajit Mazumdar, Jawaharlal Nehru University, Dr. Sidhartha Roy, Economic Advisor, Tata Group , Mr. Ashok Barat, Chairman MERX Business Advisors LLP and Mr. Himanshu Parekh - Partner, International Tax and Regulator, B S R & Associates LLP** shared their thoughts on the probable impact of Budget Proposals on our economy.

I hope you enjoy reading this information packed and insightful issue.

Do write in with your comments, suggestions and all the rest.

With Regards,

Vijay Srirangan
Director General
Bombay Chamber of Commerce and Industry.

Bombay Chamber Managing Committee: 2016-17

PRESIDENT

Mr. P. R. Ramesh
Chairman
Deloitte Haskins & Sells LLP

P R Ramesh is Chairman of Deloitte India with over 36 years of experience in the profession and is a Fellow Member of the Institute of Chartered Accountants of India (ICAI).

He has also been associated with various Regulatory bodies, Industry Bodies and the Institute of Chartered Accountants of India which are as follows:

Regulatory Bodies

Member of SEBI Committee on Disclosures and Accounting Standards (SCODA);

Was a member of the Committee for Reforming the Regulatory Environment for doing Business in India set up by Government of India; Member of Working Group set up by the Reserve Bank of India for implementation of Ind AS by banks in India, Special invitee to National Advisory Committee on Accounting Standards (NACAS), Invitee to the committee set up by the Reserve Bank of India to assist in convergence to IFRS by banks; Member of the Technical Committee to review the form and presentation of the Balance Sheet of the Reserve Bank of India; Member of Insurance Regulatory and Development Authority (IRDA) Standing Committee on Accounting Issues; Working Group on "Harmonizing IRDA Corporate Governance Guidelines and Disclosures with the New Companies Act, 2013

Industry Bodies

In the Confederation of Indian Industries (CII), he is a member of National Committee on Capital Markets, Economic Growth and Investments Council, National Council on Corporate Governance; National Committee on Regulatory Affairs; Committee of Accounting Standards; and, National Committee for CFO, Member of National Executive Committee of the Federation of Indian Chambers of Commerce and Industry (FICCI).

Professional Bodies

Formerly member of the Accounting Standards Board of the ICAI; VP at Large position representing the International Association for Accounting Education and Research Foundation; Past member of the Vision and Restructuring Committee set up by ICAI; Past member of the Auditing Practices Committee of the Institute of Chartered Accountants of India, Past member of the Secretarial Standards Boards constituted by the Institute of Company Secretaries of India, He has lectured extensively in India (including in programmes and workshops conducted by the Institute of Chartered Accountants of India (ICAI), the Reserve Bank of India, the Confederation of Indian Industries) and abroad on a variety of subjects including auditing and accounting subjects.

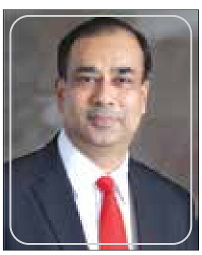
SR. VICE PRESIDENT

Mr. F.N. Subedar
Chief Operating Officer and Company Secretary
Tata Sons Limited

Mr F N Subedar is presently the Chief Operating Officer and Company Secretary of Tata Sons Limited, the holding company of the Tatas and supervises the finance, legal, secretarial and IPR functions. Besides, in his present position in the Company, he is involved in formulating Group policies and advising Group companies on accounting, taxation and legal issues. Mr F N Subedar graduated in B. Com. (Hons) from H.R. College of Commerce & Economics. He is a Chartered Accountant, having articled with M/s S.B. Billimoria & Company (presently Deloitte Haskins & Sells) and is a member of The Institute of Company Secretaries of India and joined Tata Sons as an Accountant in 1985 and worked in areas such as taxation and accounts.

He is the Chairman of Tata Services Ltd and Tata Asset Management Ltd, Vice-Chairman of Tata Investment Corporation Ltd and also a Director on the Boards of several Tata Companies.

He is a Member of the Managing Committee of The Bombay Chamber of Commerce & Industry and heads the Taxation and Accountancy Committees of the Chamber.



VICE PRESIDENT

Mr. Sunil Mathur
Managing Director and Chief Executive Officer,
Siemens Limited

Mr Sunil Mathur is the Managing Director and Chief Executive Officer of Siemens Ltd since 2014. In this role he is responsible for Siemens in South Asia represented mainly by Sri Lanka, Bangladesh, Nepal & Bhutan as also Siemens Group Companies in India. He is currently a Member of the Global Leadership Team of Siemens.

Prior to 2014 he was the Executive Director and Chief Financial Officer of Siemens Ltd from 2008 responsible for the same countries. During his stint as CFO of Siemens India, he was a Member of the Global Finance Management Team.

He has been with Siemens for over 28 years, holding several Senior Management positions in Germany, where he worked in the Power Generation Division as also as CFO of a Global Business Unit in the Industrial Automation Division of the Company. He was also CFO of a Group Company in the United Kingdom.

He has wide experience of integrating companies, creating Joint Ventures, M&A as also turning around non performing businesses in an International environment.

Mr Mathur is on the National Councils of the CII & FICCI as also on their various Committees. He is also the Chairman of the Smart Cities Committee of the CII Western Region and a Member of the Managing Committee of the Bombay Chamber of Commerce and the Indo- German Chamber of Commerce.

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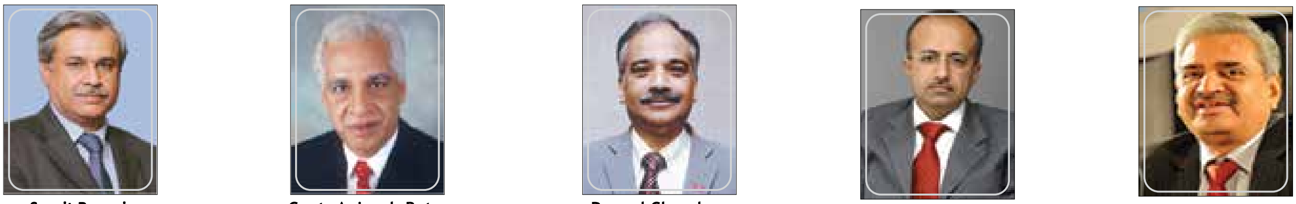

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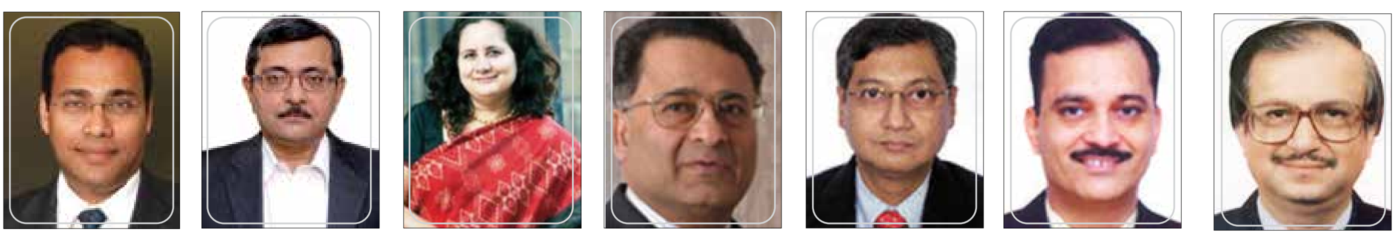
Mumbai Port Trust

Shri Anil Diggikar
Chairman
Jawaharlal Nehru
Port Trust

PAST PRESIDENTS OF BOMBAY CHAMBER



Mr. R. Mukundan
2015-16
Tata Chemicals Limited

Dr.Hasit Joshipura
2014-15
Glaxo SmithKline Pharmaceuticals Ltd.

Ms. Neera Saggi
2013-14
L&T Seawoods Pvt Ltd

Mr. Uday Khanna
2012-13
Lafarge India Pvt Ltd

Mr. Ashok Barat
2011-12
Forbes & Co. Ltd

Mr. Nitin Paranjpe
2010-11
Hindustan Unilever ltd.

Mr. Bharat Doshi
2009-10
Mahindra & Mahindra Financial
Services Ltd

Dr. Rajiv Lall
2008-09
IDFC Ltd

Mr. Ranjit Shahani
2007-08
Novartis India Ltd

Mr. Ashok Wadhwa
2006-07
Ambit Corporate Finance Pte. Ltd

Mr. Prasad Menon
2005-06
Tata Chemicals Ltd

Mr. Ashwini Kakkar
2004-05
Thomas Cook (India) Ltd

Nasser Munjee
Chairman
2003-2004
IDFC Ltd.

How Will Budget 2017 Impact the Economy in the Aftermath of Demonetisation

12 January, 2017

Shri Vijay Srirajngan, Director General, Bombay Chamber Delivering the Welcome Address at the Event

The 8 November decision of the government to declare that high-denomination currency notes would not be considered legal tender unprecedented and has impacted the working of the Indian economy. It is in this backdrop the Bombay Chamber of Commerce & Industry with the Economic and Political Weekly as its knowledge partner jointly organized a discussion on the theme with eminent persons as speakers before the announcement of The Union Budget for 2017-18 by the Finance Minister of India.

The event began with the introductory remarks by **Mr. Vijay Srirangan,** Director General of Bombay Chamber of Commerce & Industry, the theme was set by **Mr. F.N. Subedar,** Senior Vice President, Bombay Chamber of Commerce & Industry & Chief Operating officer & Company Secretary, Tata Sons Limited. The event addressed by Guest of Honour, **Dr. Chakravarthi Rangarajan,** the Chairman, Madras School of Economics, Chennai & Former Chairman, Economic Advisory Council to the Prime Minister and Former Governor, Reserve Bank of India and keynote address delivered by the Chief Guest, **Dr. Rathin Roy,** Director, National Institute of Public Finance and Policy, New Delhi.

Dr. Chakravarthi Rangarajan, Addressing the Participants

While delivering the address by Guest of Honour, Dr. Chakravarthi Rangarajan, Chairman, Madras School of Economics, Chennai and the former Governor of the

Reserve Bank of India, pointed out that distortions caused by demonetisation should linger on. Perhaps the gains would be reaped in the long run, but what was of prime importance was to restore normalcy in the present.

Esteemed Participants Interacting with Speakers During Floor Discussion

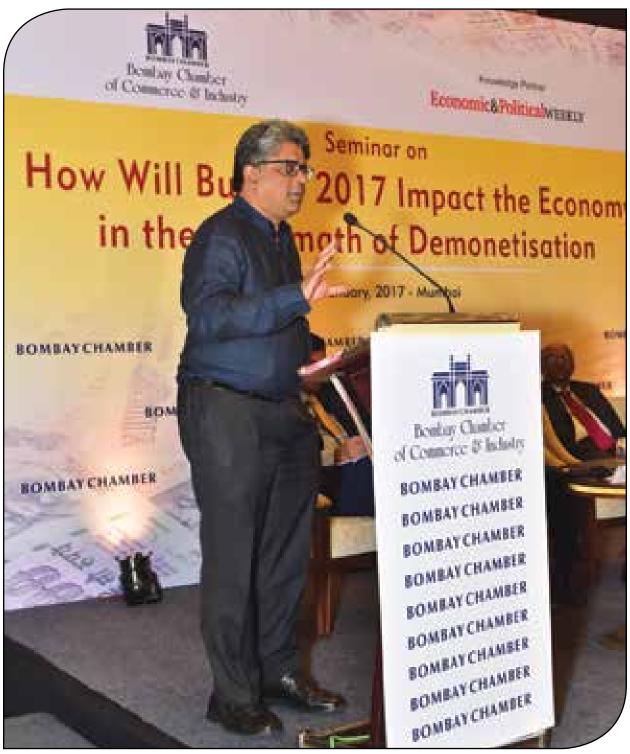
The key highlights of Dr. Rangarajan's speech could be captured as follows:

– "Demonetisation tries to attack the existing stock of unaccounted income and that too only in the form of cash. It does not actually do anything about further accumulation of the black money or unaccounted income."

– "Though it might lead to cleaner systems in the future, as of now, there has been suffering, especially on the part of daily wage earners, the vegetable vendors, retail trade at a very small level and so on."

– "The pain is real, and it is tangible and immediate."

– "The primary objective of Budget 2017 should be accelerating growth so as to ensure stability in the economy as early as possible."



Dr Rathin Roy, Addressing the Participants

– "Greater emphasis on expanding public capital expenditure by the government, supplemented by PSE investments will be needed".

– "Any relaxation in Corporate Tax Rate must be accompanied by the removal of exemptions".

– "Indirect Tax structure at the centre needs to be re-vamped to be in conformity with the emerging GST structure".

– "A provision of "Basic Income" scheme will need extensive consultations and creating a consensus on the withdrawal of existing subsidies".

Dr Rathin Roy, Director, National Institute of Public Finance and Policy, New Delhi, while delivering his Keynote Address by Chief Guest said that he was hoping that the budget would be modest, and that the "impact of demonetisation did not lead the government to announce knee-jerk responses in its budget, given the real problem is far beyond scope of fiscal policy".

Key highlights of Dr. Roy's speech has been as below:

– "Government should "stop thinking in annual bursts of time."

– "Including a 3-year medium term fiscal policy framework is only beneficial, especially in favour of political impact."

– Terming the existing tax policies as "medieval", Roy said that "we are running an effectively decrepit tax system". Therefore, tax revenue "forecasting" should be carried out in place of estimates.

– "Universal Basic Income should be thought along with

(L to R) *Mr. A.V. Rajwade, Director, AV Rajwade & Co.Pvt. Ltd, Mumbai, Dr. Ashima Goyal, Professor, Indira Gandhi Institute of Development Research, Mumbai, Dr. Chakravarthi Rangarajan, Chairman, Madras School of Economics, Chennai, Dr. Rathin Roy, Director, National Institute of Public Finance and Policy,New Delhi, Mr. Paranjoy Guha Thakurta, Editor, Economic & Political Weekly, Mumbai,Professor Surajit Mazumdar, Professor of Economics, Jawaharlal Nehru University, Delhi and Mr. Ashok Barat, Managing Partner, Merx Business Advisors LLP, Mumbai.*

the idea of "Universal Income Tax" and only then the ineffectiveness of targeting can be done away with".

– He puts forth two puzzles: one, "why has the private sector stopped investing and what can the government do about it" and second, "what would the impact of demonetisation be on, not only the growth rate but also on the rate of inflation".

– He mentions the small amount of "windfall gain accruing to the Government can only be utilized for structural reforms".

– He further questions, "Will the Government take the call that the inevitable fall in the growth rate is temporary or less temporary?" and if the situation is temporary, the "government of India does not have the instrumentation to undertake counter measures to boost the growth rates even temporarily unless it increases consumption expenditure for which the room is very limited."

Panel Discussion: Expectations from Union Budget 2017-18

The esteemed panelist Dr. Ashima Goyal, Professor, Indira Gandhi Institute of Development Research, Mumbai, Mr. A.V. Rajwade, Director, AV Rajwade & Co.Pvt. Ltd,Mumbai,Professor Surajit Mazumdar, Professor of Economics, Jawaharlal Nehru University,Delhi and Mr. Ashok Barat, Managing Partner, Merx Business Advisors LLP,Mumbai all shared their thoughts in the panel discussion "Expectations from Union Budget: 2017-18".

Professor Ashima Goyal while emphasizing the importance of Budgeting for Inclusive Growth in the current macroeconomic context said it suits India's youthful demographics, growth potential, and emphasised on entrepreneurship. She said while redistributive strategies may continue to be necessary for persistent poverty, "one attribute of poverty is being trapped in poor quality of consumption and in goods, where there is not much innovation that can create different types of potential". Normally innovation takes place in high end technologies, but we are seeing innovation in technologies that the poor can also use (Goyal, 2016)—such as the mobile, payments and financial inclusion. For active inclusion, therefore, the budget should work towards raising the returns to work and improving consumer choices. Then productivity, investment and innovation could rise in a virtuous cycle. It should improve human capital as well infrastructure, and reduce transaction costs. Since they are also State subjects, States could be incentivised to spend more on health and education, even as their share in the central budget goes up.

Professor Surajit Mazumdar while analyzing the Case for an expansionary fiscal policy mentioned that demonetization has had a contractionary effect on the Indian economy "is a foregone conclusion given the importance of cash transactions in it. Any shade of economic theory would predict this as the short-run or immediate effect of the withdrawal of legal tender status of notes making up 86 per cent of the currency in circulation". As far as Indian economy is concerned, there is a case for a shift to a more expansionary fiscal policy involving expenditure growth rather than tax concessions. However, this should not be seen as merely a short-term measure to address an immediate aggregate demand problem. The fundamental problems of the Indian economy, including the source of its demand constraints, are structural. There are several interrelated imbalances that characterize the Indian economy - between different sectors, in the trade with the rest of the world and very importantly in the distribution of income and spending ability. Contractionary fiscal policy in such circumstances also creates an additional reinforcing imbalance between public and private expenditure. Fiscal policy in a more expansionary mode, on the other hand, can contribute to creating the space for using taxation and expenditure policies to address the fundamental structural balances of the Indian economy and to put it on a more sustainable growth path.

Mr. A.V. Rajwade highlighted that we need to create something like 12 million new jobs each year. Our population is growing somewhat around 20 million each year. He concluded our budget anyways is the cash inflow and cash outflows statement rather than the standard accounting.

Mr. Ashok Barat cited the fact that we are not even facilitated by the technology but are assaulted by the technology and it will leave us breathless because of the sheer size of the technological impact.

While moderating the Panel, esteemed journalist **Mr. Paranjoy Guha Thakurta,** Editor, Economic & political Weekly discussed various aspects of 'Union Budget' and advocated expansionary fiscal policy as a preferred tool of economic policy in a sluggish economy, where more investment is needed to stimulate aggregate demand.

The event concluded with a Vote of Thanks from Mr. Sunil Mathur, Vice President, Bombay Chamber & Managing Director & CEO Siemens Ltd.

Dr. Rathin Roy,Director,National Institute of Public Finance and Policy Addressing the participants During Floor Discussion at The Event.

Union Budget 2015-16: Edited Transcript of Budget Day Meet Bombay Chamber of Commerce & Industry

1st February, 2017

Mr. P. R. Ramesh

President, Bombay Chamber

This budget is a very balanced budget. This budget has no significant tax implications. Equally it doesn't have any significant equal tax proposals. The area in which this budget has a very positive indication is the area of political funding , the area of tax evaders who leaves the country and the areas of dealing of MSMEs. Of course salaried people have some relief. It is also encouraging the political economy; encouraging compliance by non cash payments.

This budget falls short in dealing with the current problem of our economy, the demand problem in our economy, shall I say lack of demand growth. There is significant need of increasing credit facilities available to increase the demand.

Banks are reluctant to lend at variety of reasons. One of them clearly being the performance of the non performing assets. One would have expected that the large amount will be allocated to recapitalize banks because if the banks are healthy then the wheels of economy will continuously move. The second area on which the expectations were somewhat not fulfilled has been the move of digital India. But one would have expected that there are lot of fiscal incentives that will promote the eco- system and will enable the India to flourish very soon. The third area is the elimination of black money. There is nothing on the Finance Minister's speech as to what is the extent of black money that has been identified and for which actions will be taken.

All and all, I think it is the very positive budget. In this budget the fiscal discipline is being maintained, which is I think very good record for this government despite some of the temptations for providing some of the benefits to the forthcoming elections of the various states.

I think I would find it as the very very encouraging budget and hopefully this trend will continue in the future years.

Mr. F. N. Subedar

Sr. Vice President, Bombay Chamber

We have heard our Finance Minister; of course we will have to wait for our bill. But what was quite heartening was the statement on the tax administration which would honestly honor the tax payers.

The Finance Minister spoke about the fact of the many of the tax payers, amongst the corporate and the individuals, definitely a lot is to be done to increase those numbers till date.

Let's talk about another aspect which is the accrual based accounting for the railways. I hope this is the first step to move the government accounting because today we are on the classical receipts and payment system.

The rate has been brought down to 25% for the small companies. I think it is the one of the step of what the Finance

Minister has said two years ago , when he said that the rate of taxes would come down to 25%, couple of them to remove the incentives.

One more clarification which one would hear about from Finance Minister will be regarding the bill, there are so much of the case log that has been developing, where the pain has been caused by owner of the land, by putting his land into the joint agreement, etc.

On investing transfer price transactions, where both the parties are being taxed within the country, where one of the recipient will be going to get one of the profit based incentive, which will be one of the requirement, this would hence remove the whole array of transactions that would otherwise come in the ambit.

Scrutiny assessment reducing the time period is again very welcomed, but I wonder whether that will accompanied by the very number of times to the action because otherwise it doesn't help.

On an overall basis, I would say, the markets have reacted very positively. The fear of Security Transaction Tax and Capital Gains being taxed has gone away and I think it is the huge positive thing.

Mr. Ashok Barat

Managing Partner, Merx Business Advisors LLP

The most innovative part of the budget this year has been sharp and deep focus on agriculture. It's my personal experience, given the large agrarian economy that we have number of people employed in it, directly or indirectly, that the multiplier effect of income increase in agricultural sector is far more significant and far more widely dispersed that what happen in the industrial route. Therefore by targeting the agri sector it is not only far better the political move given that there are elections in the large agrarian states but also creating the nucleus for the larger revolution of tax mobilization as well as expanding the tax base as well as increasing the demand for the consumer goods.

Second, given the character of the government and the attitude of the government what we need to be very careful because at the end of the day with the so much spending on the social infrastructure and maintaining the fiscal deficit there must be some fine print hidden somewhere which helps the finance minister to have such confidence that he will garner.

The third issue is that for the change there has been to look at issues rather than the numbers and build a story on budget around some imperatives and challenges. This makes budget speech to be far more holistic, narrating that is far more compelling. I only hope that there is not much of discord between what has been presented in the speech in terms of the narratives versus what is legislated through narrations, changes in notifications etc because our past experience has been that there is a gap between the cup and a lip, therefore some of the aggregations fall through.

Last but not the least, this kind of budget requires the changes in the thinking of the administration in the way they execute and deliver the government services. The speed, smartness the way by which the executive machinery delivers these promises will be the key determinant of the success.

So on the whole of the budget, there is fair attempt to the significant challenges and to address them in a holistic way. We as citizens also need to see our duties and obligations as much as we crave for our rights and duties. And I hope that we see a better year going forward.

Ms. Pinky Mehta

CFO, Aditya Birla Group

I feel that it is more of the theme based budget of transform, energies and clean India. The more thrust on the lives of farmers, the educations and quality of the youths, infrastructure, underprivileged people, railways and all.

And as regard as the financial sector, the evolution of FIPB is a good move. Lots of thrust on digitization, I feel we want to be the digitized country where less and less the cash currency is getting used. As regard the direct tax benefits, the limit has exceeded to Rs. 2.5 lakhs to Rs. 3 lakhs as the people who will be having taxable income under Rs. 3 lakh will not be paying the taxes. As regard the indirect taxes, the transformation of the GST, the industries are waiting it to come, which will be the one consolidated tax.

More I feel it is the balanced budget and I will be able to comment once I will look at the blueprints of the budget.

Mr. P. Krishnamurthy

Chairman, GMM Pfaudler Limited

For me the only three key takeaways :

One, they spend on agriculture, on infrastructure I think these two should be significant to growth to kick start. The other is I am hoping the tax net will increase, more tax payers and more tax revenues.

Apart from these the only sector that got boost up is the affordable housing I think it is very very important, particularly in the rural areas, by giving the infrastructure status is a good idea and I really wish this gives boost to the rural sector in addition to what they are putting in the sector.

FIPB has been abolished, what will be coming at its place. Whether we have more approvals from RBI, the details are yet to come. So ease of doing business has not got any significant but hopefully we will see something positive on the FDI regulations.

Mr. Sudhir Kapadia

Partner & National Tax Leader, Ernst & Young LLP

Well we heard the Finance Minister's speech today. There were the rumors floating around that will long term capital tax beating listed securities, will you have estate duties, will you wealth tax. I personally believe the fact that none of this was come through. This itself was seen as the big relief.

On the positive side if we take away two or three which Finance Minister outlined, one would be that this is the clearest intent that I have ever heard from the Finance Minister to increase the tax base of the country and to record the fact that it is the salaried earners who really suffers because they are nowhere to hide their income. And we are hoping the actions will follow. I also think 5% rate is a better option rather than increasing the exemption drastically because it allows the tax payers to be remain in the radar because it helps to increase tax rate.

And the last point that is the disappointment is that the roadmap on overall reduction of the tax rate is 25% not just on the small size companies that should be specifically be spelled out as it was announced two years ago that would have been helpful and the very high dividend distribution tax rates continuing is the another aspect which has not been addressed, otherwise overall a fantastic balancing act, fiscal discipline and a very good measures on the tax benefits.

Mr. Ashith Kampani

Chairman, CosmicMandala 15 Securities Pvt. Ltd.

Decent budget, the impact of demonetarization has been nullified. Lot of expenditure that has been budgeted has been shown infrastructure, agriculture and no great impact on tinkering of taxation like long term capital gain, security transaction tax. So overall positive prints, people are feeling more comfortable, inclusive budget, allowing more people to participate. And taxing the people who have higher income. And also using of the technology to assess that how many cares and sold versus how many people are paying tax, how many people are travelling versus how many people are paying tax, these are all good measures and this is going to impact positively for people to contribute to the taxation of the company.

On the infrastructure side, the biggest impact is coming on the housing side, also on the road building, airport and also on the remonitization of platforms. And also IPOs and listing of various PSUs and various other programmes are having the positive impact.

Overall good budget and looking forward to have the implementation now so that we can reap the benfits.

Mr. Vijay Srirangan

Director General, Bombay Chamber of Commerce and Industry

It is clearly a positive reaction from my side in terms of the budget presentation. I will take recourse to the 5 or 6 different areas that I think are the worthy mention in terms of their implications on all of us.

The first is of course the focus on the agri, infrastructure and youth on the stand point of increasing employment, making more finance available and generally encouraging the increased level of income in these sectors.

The second, because it is close to my heart is the push on the digital enablement and along with it the recognition of the increased interest of the cyber security side, several steps of furthering the interest of digital and its benefits for example: its transparency, but also sought to encourage the attention in the areas of the cyber security.

And third is the infrastructural space essentially to name them a couple of examples: one is the continued focus on incentivize the renewable energy such as solar and second to look at integrated end to end transfer management through the combination of road and waterways that being the first attempt this time to try and interlink them in some manner and find the procedures, ways, means and institutions and the fiscal encouragement of such activity which I think is a good step and we will see the results of this the passage of time.

I think the attempt of maintaining the fiscal prudence from macroeconomic perspective is extremely well taken and the fact that the Finance Minister is able to limit the fiscal deficit to 3.2% this year is extremely good. The focus on affordable house is merit worthy. I think it is catering to an important class that I think certainly need the encouragement.

Finally, when it comes to taxes as far as the direct taxes are concerned the focus on increasing the tax net as coupled with the reduction of tax both at the personal and corporate level at the existing paying community by and large is extremely well taken.

So overall, I would say that I am positively inclined, of course we will examine the fine print to understand what are the other related agreements and we are all hopeful that this is a forward significant step.

Union Budget 2017-18: Growth or Fiscal Consolidation?

Dr. Rayaprolu Nagaraj*

Professor, Indira Gandhi Institute of Development Research, Mumbai

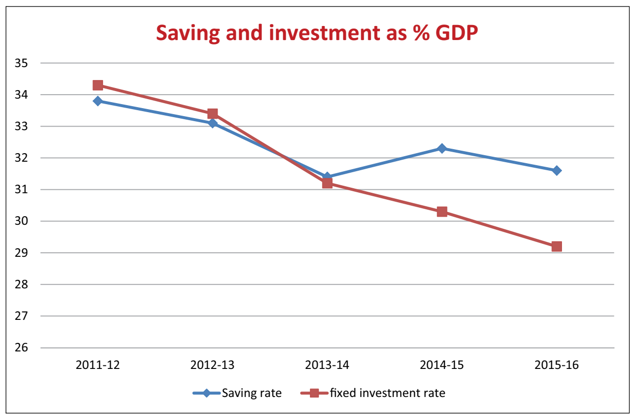
Good afternoon everyone! I thank Bombay Chamber for extending me the invitation. I would begin with a word of caution. Budget speech and the documents are more akin to advertisements for financial products, where the devil often lies in the fine print. Therefore, I would submit: please do not go by the headline statements/figures alone. Budget should, at best, be seen as a statement of policy intent, or the suggested direction of policy. It needs to be assessed in the immediate economic context.

The Context

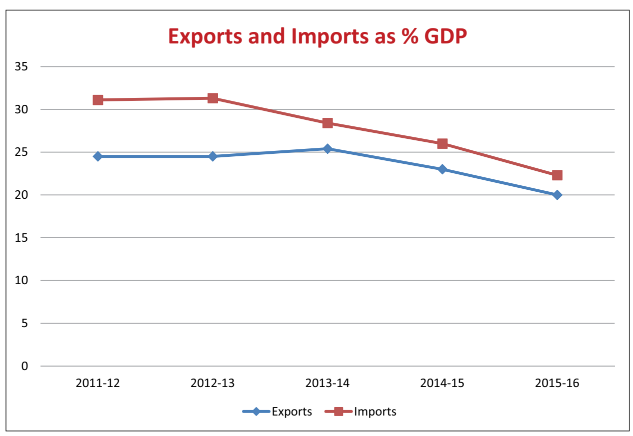
What is the current economic situation? Economy witnessed a cyclical boom and bust during 2003-2014. Official figures claim a recovery there after to over 7% GDP annual growth rate, which is widely contested on account of the methodological changes made in new series of National Account introduced in 2015.

Thanks to good monsoon, agriculture has surely recovered in 2016-17, but exports have not performed well, especially of services. Domestic savings and investment rates have now declined 27-28 per cent of GDP – nearly 10 percentage points lower than their peak in 2008-09. There has been a deceleration in (i) capacity utilisation, (ii) credit growth, and (iii) a decline in govt investment. Demonetisation has apparently hurt informal sector output, employment and consumption – though govt disputes such a claim.

- Decline in Savings and Investments Rate

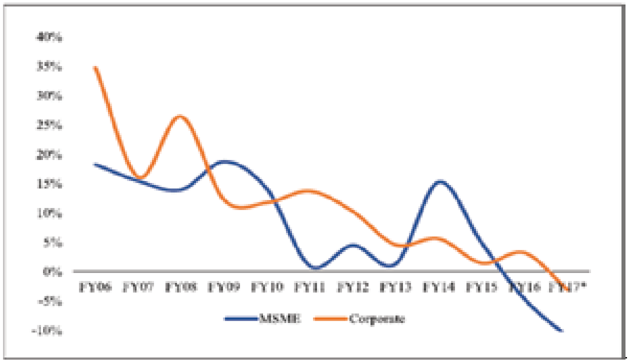


- Collapse of Exports



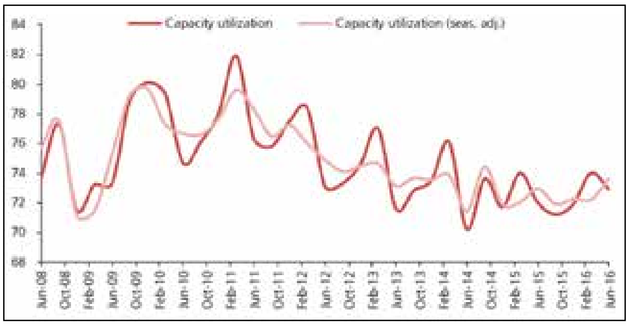
* Edited Transcript of the speech delivered on 14 February, 2017 at the Event held on " Union Budget , 2017-18: Implications for Economic Growth".

➢ Negative Credit Growth



Credit growth to Industry and SMEs

➢ Deceleration in Capacity Utilization



Source: CEIC, RBI, Kotak Economic Research

Constraints on Growth

What are the current constraints on growth? Problem is mainly from aggregate demand, not from aggregate supply. Problem is of investment demand, and of exports, not of private consumption which is holding up well. Investment demand is mostly amenable to policy. Corporate sector (the engine of growth during the boom) is now mired in debt, rising banking sector's NPAs – so, one cannot expect private corporate sector to revive the investment cycle. What is the way is the out? Step up public investment. It can happen only if more public debt (as a proportion of GDP) is allowed to rise, and if the fiscal deficit target is relaxed for infrastructure investment. Similarly, agriculture and SMEs need to get liberal credit at low interest rates to promote labour intensive manufacturing and agriculture diversification into more value added activities.

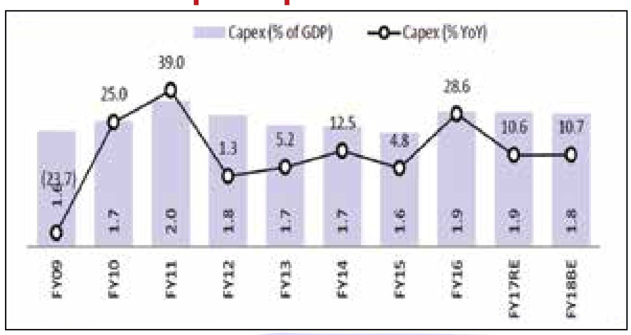
Does the Budget Priorities Growth?

Does the Budget Prioritise Growth? Probably not. It seems to prioritise fiscal consolidation (with fiscal deficit target pegged at 3.2% GDP) over boosting economic growth. Gross government borrowing is pegged at the same level as last year, at Rs. 5.8 lakh crore. This is done following the principle of "Expansionary Austerity followed in much of the developed economies after 2009-10, which is defined as follows: a major reduction in government spending that changes future expectations about taxes and government spending will expand private consumption, resulting in overall economic expansion". Such a principle has prolonged the Great Recession until now, after the financial crisis in 2008 in the advanced economies. Yet policy makers in India have chosen to follow the same principle.

Fiscal Deficit ratio, 2008-2018

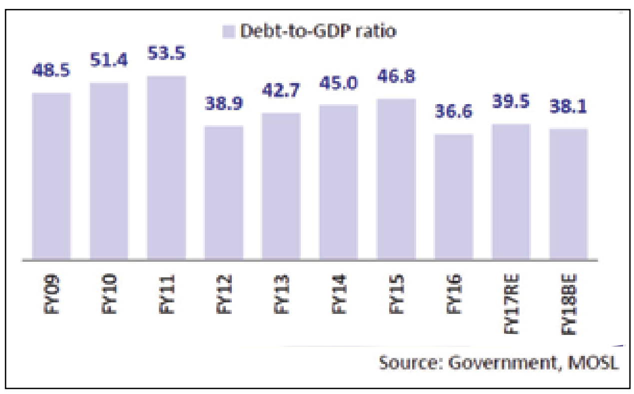
Exhibit 1: Consolidated fiscal deficit of India declining but still on the higher side
Combined fiscal deficit of center and states, March fiscal year-ends, 2008-18E

Government Capital Expenditure



Source: Government, MOSL

Debt-GDP Ratio



Other Budget Proposals

About a 10% rise in rural expenditure; a further easing of FDI inflow procedure etc. Will these efforts help step up fixed investment to GDP ratio? I wonder. Budget's focus continues to remain on structural reforms to ease supply constraints, whereas the real problem of growth for now (as mentioned earlier) is from aggregate demand. No serious efforts are in sight to resolve the banks NPAs, though there some useful ideas in the Economic Survey. Recapitalisation of commercial banks proposed in the budget seems inadequate. Evidently a lot of tinkering at the margins is proposed – as with most budgets – but little substantial investment proposals to stimulate economic growth are in sight. Some grand announcements are made such as Rs. 1 lakh crore capital spending in railways, but with less than 50% of it is budgeted for. Where will the rest come from? No clarity, as admitted by the Railway Minister.

Changes in Budgetary Practices: Advancing the date of presenting the budget; abolishing separate railway budget; abolition of the distinction of Plan and non-plan expenditure. Desirable as they may be, how significant are these for efficiency gains? I really wonder.

Conclusions

In my view the budget a wasted opportunity to step up growth and employment at a time of low oil prices and inflation to. Budget has given primacy of fiscal orthodoxy, not for stimulating economic growth (to answer the question posed in the title). There are claims of vast expansion of expenditure for poor but they does not square with facts available in the budget document. There is the usual tinkering at the margins, with perhaps non-economic goals in mind. In sum, the budget seems to nothing much to write home about.

Shri Vijay Srirangan, Director General, Bombay Chamber Addressing the Participants

Union Budget 2017-18: An Analysis

Mr. Govind Sankaranarayanan*

Chief Operating Officer - Retail Business & Housing Finance, Tata Capital Financial Services Ltd.

Good evening Ladies and Gentleman,

At the outset, I would like to thank Mr. Vijay Srirangan, Director General, Bombay Chamber, for inviting me to speak at this important and eagerly awaited event on the annual calendar. It is a privilege to speak before this august gathering.

All discussions of the budget of a country is complex as India, are basically discussions philosophy and some questions that one wants to ask are

- What constants should a Union budget try to maintain
- Should one expect changes in the budget from year to year given that , the agenda of previous year is unlikely to have been completed anyway. In this regard if a government realises that some of its objectives are not really getting achieved should it continue to fund those projects or totally stall funding to projects.
- Where could the government most optimally target to spend its money and in driving growth.
- Should the budget in a country as complex as India focus on changing culture and easing business.
- Can growth be sure, when employment generation is no, and can there really be a lot of employment when capacity utilisation is low and companies will not invest more.
- Finally, are the standards that we are setting and the expectations that we have from this government the same as what we would had 5 or 10 years ago?

Budget always have a very large number of target areas and I will therefore try to limit myself to the extent possible to those that I feel make a difference.

Context :

Union Budget 2017-18 was presented in backdrop of global uncertainties arising from signs of increasing retreat from globalization of goods, as pressures for protectionism building up, and increase in US federal rates with its impact on lower capital inflows and higher outflows and uncertainty around global commodity prices specifically crude oil which could deteriorate the fiscal situation of emerging markets like India.

Domestically, demonetisation has certainly thrown the economy out of gear at least for a quarter or two and perhaps most importantly private sector investment still has to recover country.The Union Budget 2017-18 across the board was expected to be regenerate growth and spending to support the sagging economy in this backdrop.

A commitment to fiscal prudence

Union Budget 2017-18 continued its path of fiscal consolidation by pegging a fiscal deficit target of 3.20% for 2017-18 and 3.00% for the next three years. Further, the government also accepted the suggestion of the FRBM committee to move towards a Debt to GDP ratio of 60% by 2023 which currently stands at 68.50%. I think this is a interesting sub target within the fiscal deficit story which not only ensures overall prudence but also ensures that the government needs to get either private or foreign

* Edited Transcript of the speech delivered on 14 February, 2017 at the Event held on " Union Budget , 2017-18: Implications for Economic Growth".

investment and not debt to fund its activities . Targeting of Debt to GDP ratio will eventually let the country serve its running cost without additional borrowing.

Related to the issue of fiscal prudence, my personal view is that estimation of tax growth is not overly ambitious. Within the Budget, Gross Tax Revenue is expected to grow at 12.2% from 17% in the current year. Under direct taxes, corporate tax growth rate is assumed to be largely flat at 9%, whereas personal income tax growth rate is assumed to be higher at 25% presumably accounting for success of ongoing disclosure schemes. There is also a reduction assumed from non tax revenues.

The only concern I may have is from the divestment target which is pegged at Rs. 72,500 crore, the number looks slightly aggressive and highest in recent history. We will be watchful of these numbers despite big ticket lineup of divestments like Insurance companies, railway companies(IRFC, IRCTC and IRCON) and some strategic sales. (General Insurance Companies, Railway companies and divestment through ETFs).

Given the havoc that can be created by profligate governments this government has chosen to over on the side of caution. At one philosophical level is highly desirable. On another level, one can ask a question that is the Modi government with its large majority, finds it difficult to implement something bold who could really do this.

Choosing where they can have maximum impact

With this overarching focus on fiscal prudence, the government clearly seems to have recognised that it is more effective at investing behind infrastructure and then lifting private sector grew to follow . If one looks at its class to social sectors in the actual growth, is marginal. This might be because of a conclusion that the true multiplier effect as well as any trickle-down effect of the social schemes tends to be highly dilutive.

Perhaps understanding this the total outlay on Infrastructure has risen to Rs.3,96,135 crores for FY17-18 which is higher by almost 80 percent from the previous year though this now also includes the railways allocation which used to be earlier differently accounted. Nevertheless, the Union Budget 2017-18 is looking for massive investments in Rails, Roads and Ports segment with an overall allocation of close to Rs.2.4 trillion. They probably have confidence that they can build roads fast, and recall that golden quadrilateral of one of the successes of the earlier BJP government .

One is aware that the PMAY targets affordable housing has actually had a very good offtake from the National Housing Bank. The government announced to give an infrastructure status to the affordable housing segment – a significant boost to the sector by way of access to reduced cost of funding, lesser approvals and other benefits. Developers undertaking construction of: 30 sq. m in Metros and 60 sq. m in other cities (carpet area basis) has been offered 100% profit linked deduction. In addition, the budget reduced the holding period for long term capital gain from 3 years to 2 years, providing a fillip to the secondary market transactions.

The government furthered its investment in the Bharatnet project to Rs.10000 crore in an attempt to augment access to high speed broadband connectivity at lower tariffs. This clearly aligned to bear general goal of digital connectivity . Furthering energy security of the country the government announced development of two more Reserve facilities after concluding the earlier 3 energy Reserves previous year.

If I had to interpret this, I would assume that they are putting their money where they can control it more easily, and many of these schemes are substantially controlled from the centre.

Changing national culture and transparency in revenue generation especially , bringing bank discipline:

Consistent with the need to reduce the government's borrowing programme, we have seen more than 90 per cent of the total FDI inflows under the automatic route. The government decided to abolish FIPB in FY2017-18 seems to be a move towards easing business , although those who recall its creation will also recorded it was seen to be the single window through which foreign investment could come into the country easily.

The elephant in the room, in this particular regard was the unprecedented demonetisation experiment. There are many people who rightly criticised some elements of this experiment. At the same time all I can say, is that this is what reform feels like, not the footling changes that pass off as true reform in our country.

The disruptive measure in the form of Demonetisation of higher denomination currency was an attempt by the government to integrate the thriving informal economy to formal one and ensure higher and stable growth for the country. The FM maintained the government's vision towards a cash-less economy and announced that no cash transaction above Rs. 3 Lakh to be allowed. Further, the government extended incentives for cashless transactions by reducing. The government also remained committed towards digital India and announced a slew of measures including launch of Aadhar Pay, a merchant version of Aadhar Enabled Payment System, 10 lakh new PoS terminals to be introduced by banks by March'17, and 20 lakh Aadhar based PoS by Sept.'17.

If the government has not decided to recapitalise banks, it must be a recognition that banks need to work harder at resolving their non-performing assets first before getting capital. I would say that some part of this particular problem lies even with the judicial system where these resolutions appear to be very long.

The government's thrust to financial sector reforms was evident from, listing and trading of Security Receipts issued by a securitization company or a reconstruction company under the SARFAESI Act

These are largely cultural changes whose impact might be felt over the long-term. It is difficult to envisage the extent to which this will facilitate greater revenue collections, et cetera. At the same time there is no denying the fact that changes are a must if we are to have a truly modern economy.

Employment generation :

Some years ago the government had committed itself strongly to the concept of make in India. If there is one economic lesson that we learn from and countries, it is that rising levels of unemployment or underemployment recipe for social tensions, which can in turn lead to outcomes such as protectionism anti-globalisation et cetera. It is a bit disturbing to know that the Labour bureau indicates that the number of new jobs have been created over the last 3 to 4 years is much less, above one third of the number of new job recreated in the 2007 to 2010 period. To my mind this is a significant lacunae that needed to be addressed.

Capacity utilisation in the Indian economy is continuing to hover in the low 70s resulting in a much lower level of investment and investment in the percentage of GDP has dropped substantially over the last five years from about 34% down 29%. Kickstarting this is going to need some degree of employment generation . Even if there are some increases in the number of people employed this does not seem to be flowing through into increased consumption and therefore increase capacity utilization. Our challenge therefore is to ensure that another 5 to 10,000,000 jobs get created which can then produce this new wave of growth. We must ask ourselves what has happened in this area ?

A partial answer to be found in the budget is by way of providing a tax break on nearly 7 lakh small and medium enterprises is intended to encourage employment that happens at that level. You will be happy to note that, according to the estimates of the Ministry of MSME, Government of India, the sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country. With 38% contribution to the nation's GDP and 40% and 45% share of the overall exports and manufacturing output, respectively. One hopes that at least 5% to 10% increase in job opportunities in this sector will be generated through this tax break . This will however come only if there is truly a demand for the types of services these organisations provide.

They have doubled the target for lending under the Pradhan Mantri Mudra Yojana from Rs.1.22 lakh crore to 2.44 lakh crores.

Over the last three or four years skilling of people has apparently been an important agenda of the government. It is not very clear through the published media or otherwise how effective this exercise has been and indeed what percentage of those people who have been skilled government funds have gone on to meaningful employment, when compared with those who were not skilled at all. If the new jobs happen to be in driving taxis for the taxi aggregators, or in construction, or in retail, is the government providing scaling for this or is it something else. The sheer number of people coming out and looking for jobs in India is so high, that no single answer can can work.

Concluding thoughts:

It is highly likely that people would have been critical of a budget that was obviously populist given that there were elections coming up . By that yardstick The Union Budget 2017-18 has managed to avoid the temptation of pandering to elections and sticking to what it feels is achievable .

Union Budget 2017-18 : Myth & Reality

Mr. Himanshu Parekh*

Partner, International Tax and Regulatory, BSR & Associates LLP

A very good afternoon to all of you. I will provide you with a broad overview of the salient direct tax proposals. Let's start with the key proposals affecting individuals.

The existing rates of tax have been left untouched, except for people in slab of Rs 2.5 lakhs to Rs 5 lakhs per annum, where the tax rate has been reduced from 10% to 5%. The income threshold of rebate of tax has been reduced to Rs. 3.5 lakhs from earlier limit of Rs. 5 lakhs. The rebate amount has also been reduced to Rs.2500 from Rs. 5000. A surcharge of 10% is now proposed to be levied on individuals whose total income falls in the slab of Rs.50 lakh to Rs.1 crore per annum. This will considerably increase their tax burden. The surcharge of 15% which is applicable to individuals earning beyond Rs.1 crore remains intact. Further, the education cess of 3% remains intact. The table below summarizes the key tax rates for individuals:

Income Slab (Rs)	Existing Tax rate (Percent)	Proposed Tax rate (Percent)
Up to 250,000	Nil	Nil
250,001 to 500,000	10	5
500,001 to 1,000,000	20	20
Above 1,000,000	30	30

In a welcome announcement, it is proposed that partial withdrawal by an employee from National Pension Scheme would be exempt from tax, provided the withdrawal does not exceed 25% of the contribution made by him.

In what is likely to be a major blow to individuals who have borrowed funds for the purpose of house property, set-off of loss under the head 'Income from house property' against any other head of income would now be restricted to Rs 2 lakhs only.

Let's move forward to some of the corporate tax proposals. Some of the important proposals are highlighted below:

- For corporates with turnover up to Rs 50 crores in AY 2016-17, the tax rate shall be reduced to 25% for AY 2018-19. This is a welcome proposal and will provide significant relief to MSMEs. There is no change in corporate tax rates for companies having a turnover exceeding Rs 50 crores. They will continue to be taxed @ 30% (excluding surcharge and cess).
- Deduction under section 10AA shall now be allowed from the total income of the taxpayer (as against total income of the undertaking). Thus, going forward, if there are any losses incurred by a non SEZ unit and there are profits in the SEZ unit, then the taxpayer will have to set off those losses

* Edited Transcript of the speech delivered on 14 February, 2017 at the Event held on " Union Budget , 2017-18: Implications for Economic Growth".

against the profits and claim deduction only on the residual profits. This amendment seeks to overrule the decision of the Supreme Court in the case of Yokogawa.

- Provisions relating to MAT are amended to provide the framework for computation of book profits for IndAS compliant companies in the year of adoption and thereafter. Further, carry forward of MAT / AMT credit is extended from 10 to 15 years.

Some of the key amendments pertaining to the Real Estate sector are as under:

- Deduction under section 80-IBA for Affordable Housing Projects are liberalized as under
  - Limit of 30 square metres or 60 square metres will be applicable in respect of carpet area instead of built-up area;
  - Limit of 30 square metres will now not apply to the place located within 25 kms from the municipal limits of the four metro cities;
  - Time limit for completion of project is extended to five years from three years.
- It is clarified that capital gains arising on account of Joint Development Agreement in the hands of individual or HUF shall be taxable in the year of completion of project. This will avoid protracted litigation on the matter.
- House property held as stock in trade and not sold within one year from the end of financial year of obtaining completion certificate will be subject to taxation of notional income as 'Income from House Property'.

Let's consider some important proposals vis-a-vis taxation of capital gains:

- In a welcome proposal, the period of holding in case of land or building for qualifying as long term capital gain (LTCG) has been reduced from 36 months to 24 months.
- In yet another favourable proposal, the base year for indexation has been shifted from 1 April 1981 to 1 April 2001.
- With a view to curb some of the malpractices pertaining to listed shares, exemption of LTCG tax upon transfer of equity shares which have been acquired on or after 1 October 2004, shall be available only if the acquisition was subject to Securities Transaction Tax. However, certain exceptions to this proposal will be notified by the Government.
- Conversion of preference shares into equity shares shall be exempt from capital gains tax.
- Scope of section 54EC (investment linked capital gain tax exemption) is expanded to include investment in any bond redeemable after three years, as may be notified by the Central Government.
- Gains on transfer of unquoted equity shares shall be calculated based on fair market value (FMV) of the shares, in case consideration received for their transfer is lower than FMV thereof. This is likely to act as a dampener and increase the cost of internal group restructurings.

A quick overview of tax proposals pertaining to non-residents of India:

- Withholding rate (WHT) of 5% on interest on External Commercial Borrowings is extended to borrowing done before 1 July 2020, as against the current timeline of 1 July 2017.
- Further, concessional WHT of 5% is proposed to be extended to Rupee denominated bonds in respect of borrowings done before 1 July 2020.
- In a welcome proposal, it is clarified that "indirect transfer" provisions shall not apply to transfer of any investment held by non-resident, directly or indirectly, in Category I or Category II Foreign Portfolio Investment.

Let's move to the salient features of direct tax proposals pertaining to transfer pricing provisions:

- The transactions between the Indian group entities being subjected to transfer pricing provisions was a major problem faced by the taxpayers. In order to mitigate this issue, the Finance Minister has announced that domestic transfer pricing provisions shall be withdrawn except where one of the parties to the transaction is claiming specified profit linked deductions.

- In a proposal which is likely to cause significant concern to taxpayers, the concept of "secondary adjustment" by way of interest on "deemed advance" has now been introduced. Deemed advance represents the amount of primary adjustment which is not repatriated to India within prescribed time.

- An important proposal is made vis-à-vis limitation of deduction of interest payment. Going forward, deduction in respect of interest exceeding Rs 1 crore for Indian companies and permanent establishments of foreign companies shall be capped at 30% of EBITDA where debt is issued by non-resident associate enterprise (AE) of the borrower or where debt is issued by third party but is guaranteed by the AE of the borrower. The unabsorbed interest shall be allowed for carry forward upto 8 years. This provision shall not apply to companies engaged in banking and insurance business.

Some of the other key amendments are as under:

- Until now, dividend income in excess of Rs 10 lakhs was chargeable to tax @ 10% in the hands of resident individual, HUF or a firm. It is now proposed that this provision will apply to all resident assessees except for a domestic company and certain funds, trusts, institutions etc.

- Currently, receipt of specified property by an individual or HUF without / for inadequate consideration (as compared to FMV) is chargeable to tax under the head 'Income from other sources'. It is proposed to extend the scope of this provision to cover receipt of specified property by any person. For this purpose, property shall also include listed equity shares.

- Eligible start-ups shall be entitled to claim 100% tax holiday for any three out of seven years (as compared to three out of five years as of now) from their date of incorporation. Further, start-up companies shall be allowed to carry forward their business losses despite change in the shareholding by more than 51%, provided the existing shareholders continue to hold the shares in the year of set-off of loss.

Other Procedural amendments:

- The time limit for completion of assessment has been reduced from 21 months to 18 months for AY 2018-19 and to 12 months for subsequent years.

- Time limit for filing of revised tax return is reduced from one year from the end of relevant assessment year to end of the relevant assessment year or completion of the assessment, whichever is earlier.

- In a very welcome proposal, refunds for tax returns filed w.e.f. AY 2017-18 will have to be processed within one year from the end of the financial year in which return is filed, even if the case is selected for scrutiny assessment by the tax department. However, the tax officer may withhold the refund, if he records the reason for doing so and seeks prior approval of the Commissioner of Income Tax.

On the Indirect tax front, given that GST is on the anvil and is expected to become law on 1 July 2017, there have been only a few amendments. One important move is to repeal the R&D Cess Act with effect from 1 April 2017.

Thank you for a patient hearing.

Union Budget 2017-18: Myth & Reality

Dr. Siddharth Roy*
Economic Advisor, Tata Group

Good afternoon.

Budget making is essentially a political process, where you visualize success in terms of political gains, electoral benefits, etc. however the boundary conditions of these political coordinates are spelt out in economic terms. That's why we look at the economic numbers, like what the budget has said in terms of revenue, expenditure and deficits.

To begin with, take a household, if you spend more than you earn then there will be a deficit. The deficit at the end of the day has to be met with some kind of borrowing. What is important is whether you can service that borrowing, secondly your deficits have to be contained in a matter that your borrowings do not go up disproportionately. In the case of the country you have the earnings from what is called the revenue side, taxes are the most important part, followed by non-tax revenues like dividends from public sector, etc. then you have some loan recoveries, lastly you may have some sort of 'other receipts' too. All these things together make up your kitty and then you spend on your priorities, buttressed by political, social objectives, the difference of spending/expenditure and receipts is the fiscal deficit. The difference is normally made by borrowings assuming that you don't want to print notes and add to inflation. Now you have to pay the interest on the borrowings very similar to that of the households, once you knock out of the interest you have paid from fiscal deficit what remains is the primary deficit. Basically, primary deficit is an indicator of whether you are earning enough to meet your running costs.

Now what happens in the country when we decide to live with deficits, especially the primary deficits? What is important to you is to focus on the issue of debt levels of the future years and examine whether the debt level is sustainable or not. When we look at the debt levels, two things are important, what I am earning this year, and what I am going to spend net of interest payments; the difference between them would indicate how much of the running costs I am able to meet; further if the growth of my income exceeds growth of the interest rate that I am paying then it is fairly ok; it can be mathematically demonstrated that in such a situation the debt to GDP ratio will not go up. Now the debt to GDP ratio given a primary deficit will depend on two factors. One, the growth rate of income and the other is the growth rate of the interest rate. If you look at the growth rate of last 35 years it has been around 6% and you can safely visualize that for the future it is unlikely to be below 6% (considering all kinds of booms and busts). In near future, the picture could be a little brighter, around 7% growth is what we are expecting. To that we should add the rate of growth of inflation,

* Edited Transcript of the speech delivered on 14 February, 2017 at the Event held on " Union Budget , 2017-18: Implications for Economic Growth".

which is around 4%-5% rate of growth, so using the rate of growth of inflation the nominal income trend will be 11%-12%.Long-term interest charge i.e. 10 yr. G. sec is 6.8% at the moment, this may go up in the near future to 7%-7.5%. Consequently, you have a difference of about 4-4.5% or may be a little more.

When you look at the primary deficit, we should not only take the primary deficit of the centre but we should also take into consideration primary deficits of all states. Putting all together in the year 2008, the primary deficit as the percentage of GDP was 5.3% which has come down to 2.1% in 2016. Hence from the primary deficit point of view there is not a great problem though we are still not recovering the government's running cost. When the economy is growing at 11% to 12% in nominal terms and the interest rates are between 7.5% to 8%, you contain future debt/GDP ratio without upsetting the fiscal math.

Now other thing is how you bring down the primary deficits. Whatever you are earning minus whatever you are spending minus interest is the primary deficit. Now whatever you are earning a part of which is the tax collection. The taxes are going up over time. If you consider the centre and states together, the tax collection is around 16.6%.It used to be around 11% to 12% at not so long back. So there has been some movement in this side. A large part of the economy is gradually coming under the formal sector. As we move from informal to formal sector, the process will bring back more people under the tax net. Further, GST will create a paper trail, this along with other black money related measures will facilitate income tracking process and hence tax GDP ratio should be going up. Moving ahead we can have higher levels of debt without affecting the debt-GDP ratio.This is a point which we need to keep in mind, at the moment we can't be too ambitious about debt.

So far as the macro situation is concerned GDP growth is veering around 7%, in order to accelerate it government needs to focus on both consumption and investment spending.

Now if you look towards the investment per se, the growth in private investment has contracted and the growth in public investment is decelerating. Now there are several reasons to it. One what they called is the twin balance sheet problem that is the banks and the industries are overleveraged and since the industries are overleveraged no one is giving money to anybody so that's the one problem. The another problem is the capacity utilization at this point of time is around 74% which is much lower than what it used to be in the previous years, that's another problem. And the third one is the overall demand in the economy is not picking up. In that context one could have expected that something will be done on the consumption side, because whatever you will be doing on the investment side you will see the impact with a gestation period of 2-3 years and that will be after the 2019 elections. So there is no great joy in undertaking new projects, instead it is better to push something that is already on the anvil like road building, etc. there is a possibility that you can see the impact far more quickly.

Now on the consumption side there are marginal benefits offered through reduction in income tax. But that's not large enough, one could have gone for an adjustment in the excise duty, where one could have played with the price elasticity aspect of the items, but the GST is going to be implemented soon so nothing has been touched upon in this area, other than some corrections in inverted duty structure.

Couple of things that we need to keep in mind is wherever the GST has been introduced be it Malaysia or Canada, tax collection has come down in the initial years. If the collections come down then you will have a problem in terms of the revenue collection. If you have problem on revenue side then you cannot do much on the public investments and direct tax benefit side, you have to balance the process.

Both fiscal deficit and primary deficit are within manageable proportion, these are 3.5% and 0.3% respectively. The fiscal deficit is expected to come down further to 3.2%, given a state level deficit of around 2.8% to 3%. Overall deficit will be within 6%. However, this may not be enough to ensure a continued deceleration debt/GDP ratio in the future.

UKIERI Project

National Seminar on STARTUPs and ENTREPRENEURs Trends and Lessons from UK and India

18 Nov, 2016

It was the first initiative of Bombay Chamber under UK-India Research Initiative (UKIERI), dedicated to the Startup Ecosystem. The active participation of hundred plus participants made everyone realise the eagerness of entrepreneurs to connect with mentors and investors.

Objectives of the seminar were:

1) Discuss human, financial, technological and strategic aspects
2) Share best practices, trends and outlook for entrepreneurship
3) Facilitate business opportunities for Startups

Panel Discussion **on Skilling youth for dynamic challenges in Entrepreneurship** focussed on: Role of Incubation Units, Alumni Associations, Lessons, Outlook for changing modes of learning/skilling, International landscape, Resource Generation for Start ups, Innovation, Creation of Job Opportunities /Livelihoods / Empowerment.

Panel Discussion on **Technological transformations and diversities in Start ups** deliberated on Degree of automation, Impact on quantum and efficiency of human resource, Employment, Mobility of people, Sectoral diversities, Success rate / Sustainability- how existing system can be leveraged to boost entrepreneurship , Linkages to manufacturing sector (Make in India),Scope for UK-India business opportunities.

Panel Discussion on **Business Models for Entrepreneurs** was focussed at Unit Economics, Revenue Models and Lessons from Failures.

"From small to big", the event was attended by entrepreneurs, as well as full time employees, and also various investors who were exploring robust ideas to invest in.

The event was supported by several incubators, angel investors and educational institutes.

The seminars also encompassed people who had built their companies from scratch, but the scale of operations made them need assistance of partners and investors. Various students have expressed their interest in joining the community with entrepreneurial inclination and wide range of business experience.

To extend our reach to young and enthusiastic entrepreneurs, Bombay Chamber used social media extensively for the promotion of the event.

Chember Activities

Education & Skill Development Committee

Workshop on Mumbai Urban Observatory

5-6 December, 2016

As a part of Bombay Chamber's effort to improve industry-academia collaboration and provide strategic inputs to policy makers and industry members, the Chamber facilitated a Workshop on Mumbai Urban Observatory. It was being organised under UK-India Joint Network on Sustainable Cities and funded by Research Councils UK.

An urban observatory facilitates monitoring urban dynamics at the local level. It is typically a network of local stakeholders responsible for producing, analysing and disseminating data on a meaningful set of indicators. Data and information resources produced by the local network were used to support decision-making and formulation of evidence based policies. There were several variants of urban observatories established by Governments, Think Tanks, Technology Companies and Civil Society groups. However, the idea was widely advanced by the UN-Habitat's Global Urban Observatory. In India, the National Institute of Urban Affairs is engaging with various stakeholders for establishing urban observatories to address the complex entanglement of information in rapidly growing cities.

This workshop was actively be supported by Indira Gandhi Institute of Development Research (IGIDR), International Institute for Population Sciences (IIPS), Tata Institute of Social Sciences (TISS) and also Indian Institute of Technology Bombay (IIT-B).

Eminent universities from UK which participated at this workshop were: University of Nottingham, University of Surrey, Loughborough University and Nottingham Trent.

Mr. Pravin Dixit, Director General of Police (Retd.) IPS, Maharashtra state and Mr. V. Suresh, Former CMD, Housing and Urban Development Corporation participated at the Review Panel and shared their inputs on the deliberations made at the workshop.

The objectives of the workshop were:

1) To familiarise the civic and corporate stakeholders about the concept of Urban Observatory
2) To discuss feasible models for the creation and implementation of the Urban Observatory
3) To share global examples of Urban Observatories
4) To deliberate on specific challenges faced by the City of Mumbai
5) To suggest an action plan for acquiring civic and corporate support for the initiative

Format of the workshop was:

1) Individual Presentations by Dignitaries and Researchers
2) Panel Discussions
3) Break-out sessions
4) Strategic recommendations

Sub-themes for Panel Discussion:

1) Urban Observatories & Smart Cities
2) Mumbai and its Urban Context
3) Smart Cities: Observing the City
4) Engaging Citizens in Making their City Smarter
5) Stakeholder perspectives on Urban Observatory
6) Design & Vision for an Urban Observatory

It involves discussion and deliberations on:

a) Socio-economic parameters to track
b) Use of 5G, Sensors and Public Information Systems
c) Creation of Centralised Data Centres
d) Use of Data Analytics for Policy Formation and Commercial Use

The participants represented several stakeholders such as research scholars, government officers, NGOs, technical experts, geospatial companies, IT Companies, journalists and members of civic society.

Social media was used extensively to create awareness about the theme and live posting of deliberations. The response was quite satisfactory in terms of reach and feedback.

Seminar on Office Safety

7 December, 2016

Mr. Vijay Srirangan, DG, Bombay Chamber welcomed speakers and delegates. He briefed about history and the milestone achieved by Bombay Chambers.

A Glimpse of the Event

Mr. Nikhil Raval, Director, HSE Sanofi India Ltd. spoke on Importance of office Safety (Learning from the recent Incidents- fire, Elevator failure, women safety). He explained various types of hazards such as fire, ergonomics, fall Trip& slip, Health, women safety etc. He spoke about prevention measures such as use of signage, regular inceptions, Use of thermography etc.

Mr. K. N. Rao, Director- Energy and Environment, ACC ltd. Sustainability Committee, Bombay Chamber touched upon office safety issues and its perception. He emphasised that people need to change their perception that office set up is always safe than a factory set up hence, there is no requirement of safety measures. Further he suggested that office safety should be a part of annual performance appraisal and KPA of the employees.

Dr. Chaitanya Gulvady, Vice President- Health, Siemens Ltd Spoke on Occupational Health- Challenges & Strategy. He discussed about different physical and psychosocial disorders which individuals face in today's stressful day to day work. The organisation can support its employees by taking measures to reduce the risk of getting affected by these disorders. Siemens provides one to one counselling sessions to their employees whenever required. He also demonstrated 15 minutes Yoga module to delegates which can be added in their day to day routine.

Mr. Amol Tope, Founder, SucceedSafe spoke on Slip Trips Falls. He explained about precautions to be taken to eliminate falls and steps to follow for fall prevention.

Mr. Alok Chandra, Corporate Head- Sustainability, Rallis India Ltd spoke on Emergency Preparedness including Fire and Electrical Safety. He explained difference between Hazard and risk. He spoke about emergency Preparedness for fire safety and Electrical safety. He explained that the employees of the organisation to be trained in dealing in fire prevention equipments and actions to be taken at the time of incidence of fire.

Dr. Pushpender Handa, Sr. General Manager - Health, ACC Ltd spoke on Computers and Office Ergonomics. He explained about body postures while working on computers. He also spoke on health issues can arise due to wrong body posture like spondylosis, back pain, illumination, dry eyes syndrome etc. He also spoke about 20-20-20 Rule for good eye sight. He demonstrated the simple exercises for stretching can be done at workstation.

Mr. Mahesh Chandak, India- Africa ESH and Human Rights Lead at Monsanto Company spoke Road Safety for employees. He shared the best practices of Monsanto. Internal tracking system for driving, and data collection of the road safety initiatives of Monsanto like VDR (Vehicle Data Recorder), driving rules for Trained Drivers, feedback system, and Behaviour safety programme for driver are very important. This has helped them to showcase that road Safety is a business case and all organisations to take note of it. Mr. Chandak also offered his support if any organisation needs the same.

Ms. Usha Maheshwari, Additional Director, Bombay Chambers delivered Vote of thanks to speakers delegates and colleagues.

Feedback of delegates and speakers was very encouraging. The format of the Seminar and its speakers was appreciated a lot.

ETDP

Workshop on Problem Solving Techniques & Conflict Resolutions

13 December, 2016

The ETDP Wing of the HRM has conducted the Workshop for the benefit of the employees of member organizations. Dr. Lata Setty, Director, Mainstream training centre was the speaker.

Problem solving is a natural part of life. Lacking the ability to solve problems effectively can be a source of anxiety and stress for any individual. Problem solving is not an exact science, although there are guidelines that a person can follow to become a successful problem-solver.

Flexibility and open-mindedness is an essential part of being able to solve problems, whether it is in your personal life or on-the-job. Possessing advantageous problem solving skills requires a person to understand the problem, create a plan to solve the problem, seeing the plan through and reviewing the plan to ensure that the problem is solved and is not repeated. When a person has difficulty imagining a solution to a problem, it is because he is overwhelmed with the details of the problem and lacks the ability to break down the problem or see the big picture.

Problem Solving is a systematic approach to defining the problem (question or situation that presents uncertainty, perplexity or difficulty) and creating a vast number of possible solutions without judging these solutions.

Brainstorming, reverse brainstorming, critical thinking, innovation, realistic thinking, emotional thinking, lateral thinking, strategies & creativity are all useful techniques that can assist an individual to become better at solving problems. Connected to problem solution is the ability to resolve conflicts.

Conflict in the workplace seems to be a fact of life. In a company, in a section different people may have different goals and needs that come into conflict. The fact that conflict exists is not necessarily a bad thing. As long as it is resolved effectively, it can lead to personal and professional growth. Effective conflict resolution skills can make the difference between positive and negative outcomes. Conflict in the workplace can be incredibly destructive to good teamwork. Managed in the wrong way, real and legitimate differences between people can quickly spiral out of control, resulting in situations where co-operation breaks down and the team's mission is threatened. This is particularly the case where the wrong approaches to conflict resolution are used.

To calm these situations down, it helps to take a positive approach to conflict resolution, where discussion is courteous and non-confrontational, and the focus is on issues rather than on individuals. If this is done, then, as long as people listen carefully and explore facts, issues and possible solutions properly, conflict can often be resolved effectively.

Specific Objectives & Course Contents: Define creative problem solving, Common mental blocks to creative thinking process awareness, explore ways to be more creative, steps to creative problem solving process, to sensitize participants about attitude to conflicts, to strengthen awareness of conflict triggers, to increase awareness of their conflict resolving style, to help learn identify a range of conflict handling modes, to strengthen skills to apply relevant conflict resolution model in different conflict situations e.g. Thomas Kilmann's Model, Impact of conflict – Negative & Positive and Seven attitude to dissolve conflicts.

The participants appreciated the Chamber for organizing this very useful and unique training.

Visit to Native Biodiversity Garden

16 December, 2016

The Bombay Chamber organised a Site Visit to Shapoorji Pallonji Native Biodiversity Garden at Teenvira, near Alibaug. This Native Garden is developed by Shapoorji Pallonji in association with the Raigad Zilla Parishad to promote biodiversity. Native Biodiversity Garden is one of the first to be set up in Maharashtra. This garden is an earnest attempt to conserve nature, attract native species of flora and fauna back into our ecosystems and most importantly, serve as a Learning Resource Centre for students, teachers, parents and all visitors.

This Site Visit was focused to understand the various types of eco-friendly native species planted in the garden, importance of solar power and drip irrigation etc. Ms. Zarine Commissariat and Ms. Kitayun Rustom from Shapoorji Pallonji oriented participants about Native biodiversity Garden.

The Site Visit began with an introduction of all participants with each other. Ms. Zarine Commissariat and Ms. Kitayun Rustom explained about the Garden is spread over one acre of land at the edge of Teenvira Dam, and it showcases the beauty and wonder of native plant species.

Further group visited to 17 different thematic sections namely sensory, medicinal, butterfly, wetland or pond ecosystem, grasses, ficus, orchids, ferns, bamboo, palms, spices, kitchen, vertical, adaptation, celebration and a sacred grove. They visited a special section on the Western Ghat species since Raigad District falls within this Biodiversity Hotspot where many species are on the verge of extinction. The garden plays host to over 500 native species of plants, some of which are extremely rare and unique with saplings having been procured from across India. The native biodiversity garden has a special butterfly section that's home to numerous species of butterflies.

Every design element introduced in the garden also serves as an educational tool. Light shades have been specially designed and hand-crafted to represent different seed pods of native plants such as Caltrops seed pathway lights, Lotus cluster lights, Red Silk Cotton street lights and Catechu hanging lights. A wide selection of different leaf types and structures have been laser cut in vitrified tiles and embedded on the lid of the water tank.

The visit was very interactive and well appreciated by the delegates from organisations.

A Glimpse of the Event

ETDP

Workshop on Competency Based Interviewing Skills

11 January, 2017

Interviewing is a skill and an art. Identifying and selecting the right candidate for a position is very important for the success of an organization. A wrong selection decision can lead to problem to the organization and frustration to the candidate. Both situations are very undesirable.

Dr. Vasudevan P.N., a certified trainer was the a speaker.

The best way to assess the suitability of candidates for a position is by adopting a competency based interviewing technique. It is an attempt to identify the parameters relevant to a job and then to determine the match between the job and the candidate. Competencies are those behaviors that a candidate demonstrates on the job that makes him/her effective to deliver the desired results. They consist of knowledge, skills and personal characteristics such as habits, attitudes and values.

Competency based interview is based on the notion that the best predictor of a candidate's future performance is his/her past performance. Therefore competency based interview questions are built around specific incidents that have happened in his/her career rather than hypothetical situations.

It is critical that organizations review and assess their selection procedures and methods periodically. The cost of an unsuccessful selection decision is an expense that organizations cannot afford. Competency based questions help interviewers avoid making mistakes based merely on knowledge of the candidate and personal impressions.

Specific Objectives & Course Contents:

- To help managers to Identify the competencies for a particular position
- To decide the best match between the job and the candidate.

COVERAGE

- Planning and preparing for the interview
- Developing competency based questions
- Gathering relevant information about the candidate from the CV.
- Conducting the interview
- Taking the right selection decision by the interview panel
- Closing the interview candidates

The workshop was mainly based on exercises, discussions and inputs from the faculty.

Seminar on Knowing Labour Laws from Selection to Separation and Ensuring Immunity from Criminal Prosecution of Directors

14 & 21 January, 2017

The Seminar was divided in four sessions which were conducted by the speakers Mr. Bharat Goyal, Advocate - High Court, Dr. Krishna Murthy, Consultant - HRM & IR, S.R. Mohan Das & Associates and Mr. Lancy D'souza, Advisor (Legal). Mr. D'souza covered the first session on day one and spoke about the following statues:

- The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
- Industrial Dispute Act, 1947
- The Maharashtra Shops and Establishments Act, 1948
- The Maharashtra Private Security Guards (Regulation of Employment) Act, 1981
- The Employee's Compensation Act, 1923

A Glimpse of the Event

Mr. Goyal spoke in the post lunch session on day one on the following statutes:

- The Maharashtra Labour Welfare Fund Act, 1953
- The Maternity Benefit Act, 1961
- The Employees' State Insurance Act, 1948
- The Payment of Bonus Act, 1965
- The Sales Promotion Employees (Conditions of Service) Act, 1976

The seminar, that extended for two full days aimed to acquaint the participants with the salient features of enactments listed in relation to the substantive rights, obligations and implications of the law as well as the practical issues that arise during compliance.

On day two, Dr. Murthy enlightened the participants about the following Acts:

- The Contract Labour (Regulation & Abolition) Act, 1970
- The Payment of Gratuity Act, 1972
- The Employees' Provident Fund & Misc Provisions Act, 1952
- The Payment of Wages Act, 1936

Mr. D'souza spoke in the last and the most interesting session of the Seminar about Criminal Liability of Directors / Occupiers / Managers for Non-compliance. An Occupier/ Director can be prosecuted for any infringement of the statute besides financial consequences that can follow in the shape of damages, interest and penalty where payments are delayed. Every Manager should have a bird's eye view of the legal duties and a check-list of do's and don'ts to ensure that the Directors do not end up in prison paying damages and fines. The following enactments were also explained in brief in this session.

- The Maharashtra Workmen's Minimum HRA Act, 1983
- The Minimum Wages Act, 1948
- Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013

The sessions were very interactive with interesting questions from the participants and apt answers from Speakers. Both the days were well appreciated by about 100 participants on each day.

MEMBERSHIP

Applications for membership received by the Chamber from the following organisations have been approved by the Membership Sub-Committee :

ORDINARY

1. Abyss & Horizon Consulting Pvt. Ltd.
2. Institute for Excellence in Services & Planning Pvt. Ltd.
3. ODeX India Solutions Pvt. Ltd.

ASSOCIATE

1. Amitex Agro Product Pvt. Ltd.

ASSOCIATE (Limited Services including Certificate of Origin)

1. Aarmonia Chemicals Pvt. Ltd.

RESIGNATION / DISCONTINUATION

ORDINARY

1. ICICI Lombard General Insurance Company - BC/2717/O/2003
2. Oaknet Life Sciences Pvt. Ltd. - BC/6883/O/2015

ASSOCIATE (Limited Services including Certificate of Origin)

1. K.V. Arochem Pvt. Ltd. - BC/ 5092/AL/2010

CHANGE OF NAME

Old Name	New Name
Bejo Sheetal Seeds Pvt. Ltd.	Beej Sheetal Research Pvt. Ltd. (BC/4925/AL/2010)
Glencore Grain India Pvt. Ltd.	Glencore Agriculture India Pvt. Ltd. (BC/3163/A/2006)
Maxwell Industries Ltd.	VIP Clothing Ltd. (BC/1993/A/1991)
Sudarshan Speciality Chemsolve Pvt. Ltd.	Sudarshan Pharma Industries Pvt. Ltd.(BC/7064/A/2017)

MEMBERSHIP POSITION

MEMBER	February 2017	March 2017
Ordinary	814	815
Associate	641	642
Associate (Limited Services)	1958	1958
Honorary	75	75
Total	**3488**	**3490**

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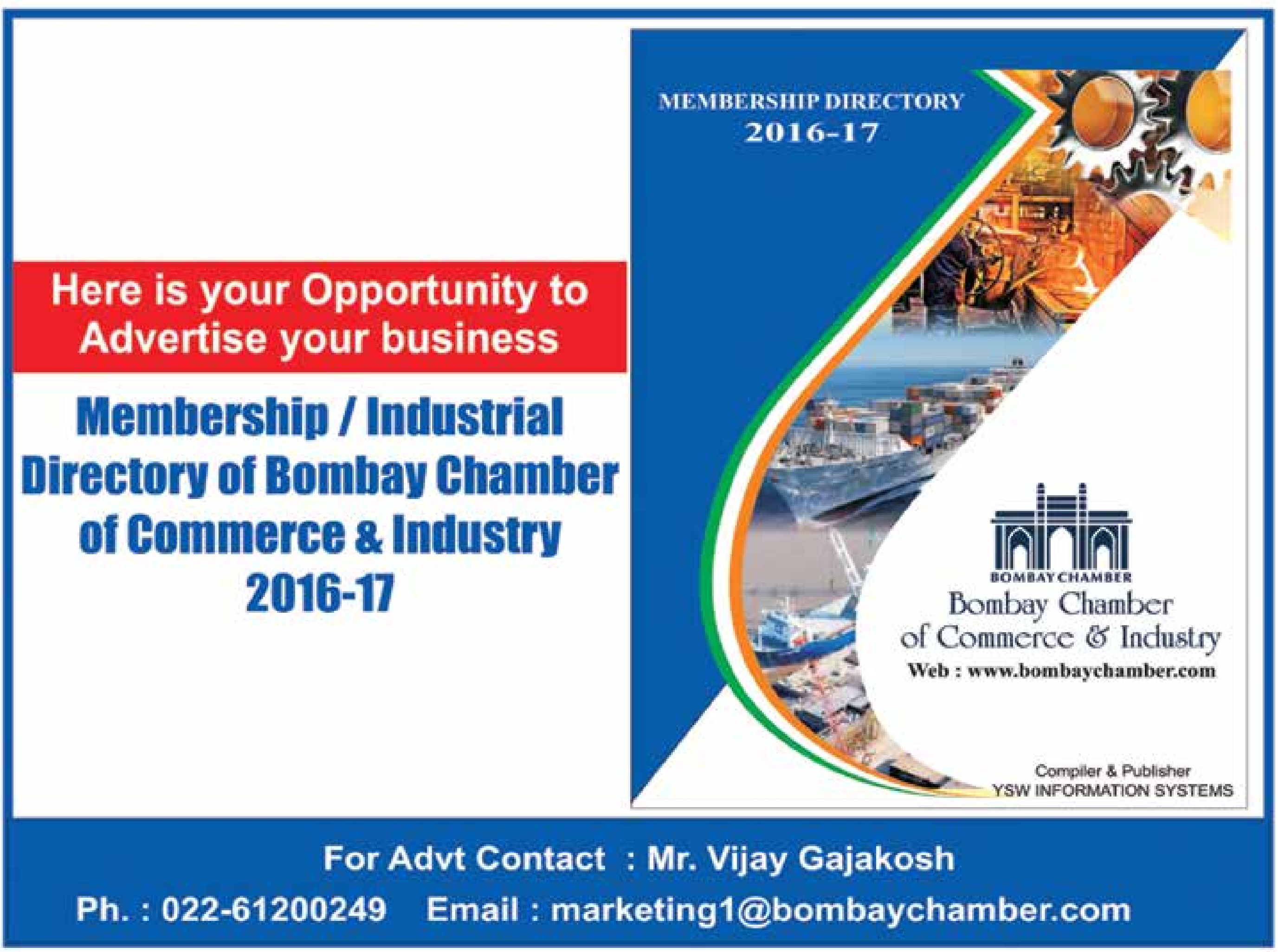

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