TALKING UP THE ECONOMY

The two-day India Economic Summit, which kicked off in New Delhi on Thursday, saw the govt promising more reform measures in the near future

India Inc: Slash personal tax, give confidence to stakeholders

DILASHA SETH, SHINE JACOB & INDIVJAL DHASMANA
New Delhi, 3 October

The economic slowdown the country faces may stay until there is greater confidence in investors and consumers, according to industry.

At the India Economic Summit on Thursday, its representatives asked for more measures such as cuts in personal income tax rates to elevate consumer demand.

Government officials said more structural reforms, after the ones announced recently, would be forthcoming.

"The government is making all efforts, but certain steps are needed at the ground level," said Hemant Kanoria, chairman and managing director, Srei Infrastructure Finance, on the sidelines of the summit, organised by the World Economic Forum (WEF) and the Confederation of Indian Industry (CII).

He said banks were scared of lending because the authorities could move in on them if any project went wrong. Investors are wary because they could be probed under complex laws, Kanoria said.

On the other hand, consumers are not spending because there are uncertainties about jobs. It would be difficult to revive the economy unless these issues are resolved. However, if they are taken care of, revival will not be very far, he said.

Pradeep Mehta, secretary general of Consumer Unity & Trust Society (CUTS), said the Modi Government 2.0 did not have good macroeconomic advisors.

He said it was not that people were not spending, though they might not be buying consumer durables. Adi Godrej, chairman of the Godrej Group, said the government should provide more stimulus to industry and bring down personal income tax rates, even if these widen the fiscal deficit.

He said it was difficult to say until the festive season ended if demand was picking up. "We should make sure that the second half of the financial year is much better ... where we need to create the situation and where we give more incentives. This measure should happen on the tax front — personal income tax and other issues as well," he said.

Sumant Sinha, chairman and managing director, ReNew Power, said though corporate tax cuts had been announced, more needed to be done.

"The government is trying its best to revive the economy and get back to 7-8 per cent growth. The steps that are being taken will help. What doesn't help is the global backdrop," he said.

Rizwan Soomar, chief executive officer and managing director for Indian Subcontinent, DP World, said the government and the private sector should address the issue of logistics by improving turnaround time at ports, encouraging more modes of transport like inland waterways and coastal shipping, increasing the railways' share in the multi-modal transport mix, and creating platforms that help integrate supply chains towards a true end-to-end solution for India's manufacturing facility. "These, among other initiatives, will assist directly in driving down logistics cost from the current 13 per cent of GDP to the global benchmark of 8-10 per cent," he said.

Anil Talreja, partner, consumer division, Deloitte India, does not think there is a slowdown. "There was a muted period because of reports on the auto sector, but sentiment has improved after the government took reform measures," he said.

NITI Aayog Chief Executive Officer Amitabh Kant said there would be more structural reforms.

"More structural reforms are in the offing and the government has pushed for public sector disinvestment. We have pushed for asset monetisation in a very big way. Instead of greenfield projects, investors must come into brownfield projects," he said at a panel discussion in the summit.

Kant also said the government must be a facilitator and a catalyst, and should keep itself out of business.

Guruprasad Mohapatra, secretary to the Department for Promotion of Industry and Internal Trade, said with a strong policy-driven government at the Centre, favourable conditions existed in India to achieve the target of a $5-trillion economy by 2024.

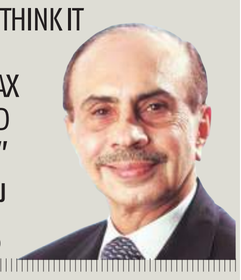
"We are on the cusp of a great opportunity, and targeting a $5-trillion economy by 2024 and a $10-trillion economy by 2030," he said.

"In ease of doing business, we have achieved much success ... now we are at 77th position...and expect it to get better in the next rankings," Mohapatra said.

Singapore Deputy Prime Minister Heng Swee Keat warned of greater economic uncertainties due to the US-China trade war. Stating that other countries were suffering "collateral damage", Keat said: "...If this conflict continues, it will disrupt the global supply chain in very significant way."

WHAT THEY SAID

"THE CURRENT GROWTH RATE OF THE ECONOMY IS SLOW AND WE NEED TO STIMULATE IT. WE NEED TO HAVE THE GROWTH RATE UP AND EVEN IF IT MEANS THAT THE FISCAL DEFICIT GOES UP, I DO NOT THINK IT MATTERS... PERSONAL TAX RATE SHOULD ALSO BE CUT"



ADI GODREJ
Chairman, Godrej Group

"CONFIDENCE BUILDING MEASURES HAVE TO BE INFUSED TO REVIVE THE ECONOMY. IF THESE ARE TAKEN, THE ECONOMIC GROWTH CAN RECOVER IN SIX MONTHS OR EVEN LESS"

HEMANT KANORIA
CMD, Srei Infrastructure Finance

"THE RBI AND THE GOVERNMENT HAVE TAKEN A SERIES OF MEASURES TO TAKE INDIA BACK TO A HIGH TRAJECTORY OF GROWTH. I THINK MANY MORE STRUCTURAL REFORMS ARE IN THE OFFING"

AMITABH KANT
CEO, NITI Aayog

'There's no slowdown in Punjab'

At a time when the country's economy is battling a slowdown, Punjab Chief Minister Capt **AMARINDER SINGH** believes the state is insulated from the crisis, with more investment flowing in and jobs being created. In an exclusive interview with **Shine Jacob**, on the sidelines of the India Economic Summit, he also talked about the steps that Prime Minister Narendra Modi should take to revive the economy, and the future of the Congress. Edited excerpts:

With the Indian economy going through a slowdown, what are the issues being faced by you in the state?

It is a tough economic situation globally and in the country. But if somebody asks me about the economy of Punjab, I don't see any such concerns. I think Punjab is unaffected by the crisis, because for some reason people are looking at us and the money is coming into the system.

In the last two years, we have seen over ₹50,000 crore, or over $7 billion, worth of investment coming to the state. This has never happened before. So, slowdown seems to not be a reality, at least for Punjab.

Q&A

Do you think the slowdown has impacted the job market?

In my state, I have added over 1.1 million jobs in the last two years. We have our unique Ghar Ghar Rozgar scheme, whose recent edition just got concluded. This fifth edition created over 100,000 jobs. Also, a lot of youth were identified for self-employment projects which would be facilitated by the state government.

Are you seeing enough interest from foreign players?

Various companies from countries like Singapore, Germany and Japan, and their governments, have shown interest. There is nothing concrete on the ground, at present. So far, major investment commitments are coming from the Indian players.

The Japanese have agreed to come up with an industrial township for which they want about 1,200 acres of land. These initiatives will promote small and medium enterprises in the manufacturing sector. Overall, we are very optimistic about the future of foreign investment in the state.

Do you think the Union government is taking enough measures to revive the economy? What more can be done?

The Centre should create the right atmosphere for industry and also for more jobs to be created across the country. You have to give more incentives to revive industry and the economy. Take the case of the steel industry. Punjab has a steel city (Mandi Gobindgarh). We have more than 400 units there, of which majority are not working now.

You have to take relief measures for such units. We had given some relief to industry by bringing down tariff. To bring in more investment to the state, we have kept industrial power tariff as low as ₹5 per unit for five years. This has helped a lot in creating investor interest. Measures should also be taken to boost consumer interest.

How is your party (the Congress) looking at Rahul Gandhi quitting as president? What is the future course of action?

I am sure that in due course, the leadership will take its final decision. But, Rahul*ji* has opted out for the moment. Sonia*ji* (Sonia Gandhi, the party president) has filled in the gap, and she had been party president for many years. I was president of the state unit in 1998. In due course, I am sure the younger generation in the Congress will take up leadership positions.

'LPG market growth will now be stabilising'

Hindustan Petroleum Corporation Chairman and Managing Director **M K SURANA** talks to **Shine Jacob** on the global scenario and the home market. Edited excerpts:

There were concerns after the attack on Saudi Aramco, on pricing and supply. What is the status?

The way it is right now, I'd say it has been managed well. Crude (oil) prices have also come down to $58 a barrel. Initially, there was a perception in the market that this was going to be a crisis. But, the way Saudi (Arabia) dealt with customers as a country and as government is a good thing. Our government also acted immediately. The way we understand is that they are already back to pre-production levels. They made a commitment of supply even during this period; this augurs well for our relationship and their own credibility in the system.

It is no longer a unipolar world; we have a diversified crude (oil) basket. Otherwise, we will not be able to come out of such a crisis. In addition, with the US-China trade issues, people were thinking this will disturb the market but it did not escalate. Supply-side worries, which came all of a sudden, have subsided. The demand-side triggers have not created any misbalances. I think all these had an impact in calming of crude prices.

Q&A

Is this demand-side decline mainly because of the slowdown in the (global) economy?

Globally, there are demand-side worries. Even if demand in India is less than our expectation, it is better than in the rest of the world. To that extent, that advantage will continue. I think the government has taken adequate measures to deal with it. Some clarity on the electric vehicle front has come; further clarity is needed, so that perception-related issues can be avoided. For example, some who could have purchased a vehicle would have thought about waiting for some time. Some producers would have gone slow on capacity expansion. I think, slowly, these issues will be solved.

Do you see any recovery in petroleum product prices?

Product cracks are firming up, while there is a softness in crude prices. Product prices will be a sum of crude prices, cracks and exchange rates. Fuel prices are expected to come down in the coming cycle.

(The) Ujjwala (scheme) turned out to be a huge success. What is next on liquefied petroleum gas?

The new connections will reach a saturation level after some point of time. It is already above 90 per cent and will reach 100 per cent. So, the aggressiveness we saw in the market since May 2016 till now cannot continue. The question that could come now is, how many will have double connections? That will be one focus. Second, with usage of LPG getting increased, the number of refills will also increase. We definitely have room to grow in LPG, but it needs to be seen whether that will be at the same pace as the past two years, when we aggressively gave new connections, with a double-digit growth rate. That definitely will not continue; it will stabilise to a normal growth rate. Growth will definitely be there.

E-mobility in India needs a common framework: Report

T E NARASIMHAN
Chennai, 3 October

Even as more states are framing policies to promote electric mobility (e-mobility), the need is to develop a common framework for consistency and to accelerate adoption of electric vehicles (EVs) rather than only a collection of incentives, says a report from the World Economic Forum (WEF), the International Organization for Public-Private Cooperation, and the Ola Mobility Institute (OMI).

The report takes stock of 10 states and Union territories that are building momentum for EV usage across the areas of manufacturing, infrastructure and services. It says EV uptake has been slow because the vehicles are costly. Not only upfront but also on a life-cycle cost basis. In other words, the total cost of ownership, lack of fast-charging infrastructure, causing range anxiety among users, credit constraints, limited choice of vehicle models and behavioural failures that inhibit adoption of technologies with lower life-cycle cost.

Given the nascent market, the role of the government is important in accelerating adoption, diffusion and deployment of electric mobility. For a price-sensitive market, incentives for electric (clean) kilometres run versus EVs purchased make economic sense and is suggested as the guiding principle for national strategy.

While variation is understandable, a common framework for gauging the sustainability and longevity of EV policies across India is necessary for policy makers, businesses and practitioners alike, says the report. Such a framework also allows for global comparison on policies.

It points to three emerging trends in the EV segment. One, most states aspire to be manufacturing hubs for EVs and EV components. Production of clean-fuel batteries, recycling and storage are incentivised across the board. Second, infrastructure development, largely a response to anxiety around the range of EVs. Most of the states studied have provision for installation of charging infrastructure in public and private places. For instance, Uttar Pradesh is targeting 200,000 charging stations by 2024. Andhra Pradesh is targeting 100 per cent electrification of buses by 2029.

The third trend is an emphasis on the services the EV value chain could provide through public awareness. These include skilling programmes in Tamil Nadu, fiscal incentives in Maharashtra and non-fiscal incentives like retrofitment services in Telangana. These are all examples of how states and territories try to connect consumers and manufacturers.

The places studied — nine states and the UT of Delhi — have all published draft EV policies or notified final ones. The nine states being Andhra, Bihar, Karnataka, Kerala, Maharashtra, Tamil Nadu, Telangana, Uttarakhand, and Uttar Pradesh.

The analysis of EV policies in the identified states shows varied findings — such as Bihar's effort to convert all paddle rickshaws to e-rickshaws by 2022, Karnataka's focus on a venture capital fund for e-mobility startups and Delhi's effort for 50 per cent e-buses in public transportation by 2023.

Oil supply woes have subsided, fuel prices to come down, says Pradhan

SHINE JACOB
New Delhi, 3 October

Concerns over the price and supply of oil, sparked by the recent terror strikes on Saudi Aramco's oil infrastructure, have now subsided, Petroleum Minister Dharmendra Pradhan said on Thursday. Oil marketing companies will now see the price of petrol and diesel coming down soon.

On Thursday, the price of petrol in Delhi dropped 10 paise to reach ₹74.51 a litre and diesel by 6 paise to ₹67.43 a litre, the first reduction since September 8. "At present, there are no concerns. The world has averted a big crisis," Pradhan said on the sidelines of the India Economic Summit.

Sanjiv Singh, IndianOil Corporation chairman, said, "The price in India has started coming down from today (Thursday). After the attacks on Saudi facilities, product prices were also affected. Gasoline (petrol) and diesel price had gone up."

India's diversified crude and product basket was one of the reasons that helped India in avoiding the Saudi Aramco crisis. Because of the shortfall in supply from Saudi Aramco, India was staring at a liquefied petroleum gas (LPG) supply crisis in states like Maharashtra, Karnataka, Punjab, and Goa.

"There is no shortage on the supply front for LPG now. We have managed the situation," Singh added.

Abu Dhabi National Oil Company (Adnoc) had assured two additional cargoes of LPG to India during this period to avert a potential crisis, given the demand is higher in festive season. Pradhan added that price volatility and concerns about sustained oil supplies made consuming countries vulnerable given the fact that India, along with most South Asian countries, has a major dependency on crude oil and gas imports. "So, securing affordable and sustainable energy figures as a top agenda for all these countries, including India."

The minister said the energy demand in India is estimated to grow at over 4 per cent per annum till 2035 and to transform into a $5-trillion economy, the country should ensure energy availability to 1.3 billion people. India has chalked out a road map to increase the share of non-fossil fuels, by increasing renewable energy capacity to much beyond 175 gigawatt (Gw) by 2022, and later up to 450 Gw.

"We will make our transport sector green through e-mobility. The proportion of the biofuel blend in petrol and diesel will be increased," Pradhan added.

In addition, the country has set a goal to enhance the use of LPG in the South Asia region. "We will, for the first time, be sourcing LPG from Bangladesh for our north-eastern states," he said.

E-commerce must not use muscle power of large capital: Goyal

WILBUR ROSS, US Commerce Secretary

"It (Amazon) probably would have spent a lot more in India if it didn't feel there was a diminution in growth due to some policies. So there is that cost also to India by the policy. But at the end of the day, India has to decide how it's going to balance those equations"

This was in response to Ross blaming policy for Amazon's India investment cut

DILASHA SETH
New Delhi, 3 October

While US Commerce Secretary Wilbur Ross blamed India's e-commerce policy for US online retail giant Amazon's cut in investment, his Indian counterpart Piyush Goyal attributed it to the company's inability to engage in "predatory pricing" any longer.

In a war of words at the India Economic Summit, Goyal said the spirit of Indian law was to protect small trade which employed over 120 million and that multinational e-commerce should not use muscle power of large capital at low value to drive small retailers out of business.

"According to news reports, Amazon is spending one-third of what it spent the year before in capex. It would probably have spent a lot more in India if it didn't feel that there was a diminution in growth due to some of those (e-commerce) policies. There is also that cost to India by the policy," the US commerce secretary said.

Goyal argued that the spending cut was possibly due to other factors like over-investment in the previous years. "(Amazon) may have over-invested in previous years... I don't know, I don't run its business." He added that maybe the firm now recognises that it can't do "some of the things that it was possibly doing earlier", referring to deep discounts by online companies.

India in February revised FDI norms for e-commerce, barring foreign-owned firms from selling through their affiliated entities and offering heavy discounts.

"India is very clear on its domestic and political compulsions. Around 120-130 million are dependent on small retail, with 50-60 million small shops present throughout the country... We welcome all e-commerce companies to work (in India) as agnostic platforms," Goyal said.

He added, "Don't try to look at structures that fall within the ambit of the law, but in some sense break the spirit of the law. That is the position of the government as far as the BJP is concerned."

According to Goyal, all companies in question have confirmed that they understand the spirit of the law. However, Ross maintained his critical stand, indicating that such a strategy could, in fact, hold back India's growth and that the country should rather go for a balancing act.

"If 100 years from now, India still had as many small retailers as now, it would have held back growth immensely," he said. Ross added that India's policy was a structural issue that forced Indian consumers to pay more for a penalty absorbed by a whole population. "We understand the political sensitivity related to small retailer and farmers. In the US, we have made policy decisions to ensure the most efficient form of retail commerce, some combination of e-commerce and brick and mortar commerce," he added.

PIYUSH GOYAL, Commerce and Industry Minister

"It's up to Amazon what it decides to invest or doesn't decide to invest, where it sees its market growing. Maybe it recognises that it can't do some of the things that it was possibly doing earlier in the spirit of the law"