

# President's Message

Friends,

With the approaching 112th Annual General Meeting on October 26, 2017, as I prepare to demit office, I look back at the year that has gone by where the motto set by me at the beginning of the year, "Lead the Change-Make the Difference" actually to my surprise coincided with unprecedented rapid changes globally and in India too, heads of States, Policy-makers and time-bound reforms accelerated to achieve higher trajectories of economic growth. The goals set by me were achieved and I take great pride and sense of fulfillment of leading a prestigious and dynamic Chamber despite the gradual economic transformation taking place in our country with ups and downs.

Although the world economy is showing broad based signs of recovery, India's growth slowed down to 5.7 percent in the first quarter of fiscal 2017-18, the fifth straight quarterly decline, impacted by severe slowdown in the manufacturing sector –grew by 1.2 percent, the lowest in the last 20 quarters. I must emphasize here that the surge in manufacturing imports started just after withdrawal of high value currencies in November last year.

Nonetheless, the manufacturing activity as reported by Manufacturing Purchasing Managers' Index resumed expansion in August and September on the strength of new orders. Services sector too improved markedly, supported mainly by trade, hotels, transport and communication, which bounced back after a slowdown in fiscal 2016-17.

Exports picked up recently, but exporters have been hit hard by a rising rupee. A slow pace of foreign orders, combined with a strong rupee has spelt fresh trouble for Indian exporters. Exports grew by 8.57 percent in the April-August period while imports rose by 26.63 percent, worsening the trade deficit and the current account deficit.

I agree with experts that the economic slowdown was partially due to the overhang of demonetisation and fears around the impact of goods and services tax (GST) which led to destocking of inventories. The technical glitches in filing GST returns and huge delays in refund of input tax credit for exporters did dampen business sentiment. MSMEs were plagued with concerns of tax compliance, along with the problem of lack of IT infrastructure.

Having said this, I welcome the GST relief measures announced by the Finance



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President, PHD Chamber

Minister last week as these would bring relief to exporters, SMEs and traders. These measures include creation of an E-wallet for refunds to exporters by April 2018; a nominal GST - 0.01 percent for merchant exporters; taxation relief wherein traders with a turnover of Rs. 1 crore will pay one percent, manufacturers will pay two percent and restaurants will pay five percent; businesses with a turnover of Rs. 1.5 crores or less will file quarterly returns; deference of reverse charge mechanism till March 31 as well as exemption of interstate services for service providers with a turnover of less than Rs. 20 lakhs. Also, reduction in GST rates of certain essential food items and items of daily use will bring relief to consumers. I am positive that the government will resolve all the GST anomalies prevailing in the next few months and also set up an Advance Ruling Authority to serve its intended objectives.

Another primary cause for the recent slowdown in growth is the stress on the banking sector's balance-sheet which is saddled with non-performing assets of over Rs. 8 trillion, of which Rs. 6 trillion is with public sector banks. Reviving credit growth and faster resolution of stressed accounts through the Insolvency and Bankruptcy Code and various structuring schemes are critical for improving the asset quality of banks. That may not be easy since the government plans to reduce fiscal deficit to 3.2 percent of GDP this year and 3 percent next year.

The Reserve Bank of India has lowered the economic growth projection for fiscal 2017-18 to 6.7 percent due to GST implementation and reduced kharif output, likely to drop by 2.5 percent due to lower rainfall. The

International Monetary Fund too scaled down its growth forecast to 6.7 percent from its earlier estimate of 7.2 percent for fiscal year 2017-18 due to demonetization and GST.

Going ahead, I am hopeful that the Indian economy will recover in the coming months and private investments will gain momentum once the teething problems of GST get over. I opine that structural reforms are needed for changing the structure of the economy to make it more market-oriented with focus on reforms in tax structure, financial sector, education, skill development, etc. The regulatory and business environment needs an overhaul combined with reforms to improve the ease of doing business particularly in labour intensive sectors of MSME segments. Reforms in the farm sector are also urgently needed in terms of agri-infrastructure and supply chain of various perishables. With inflation inching up, the focus should be on supply of food products so that any shortfall is managed in a better way.

This year, the Chamber organized international events in Dubai, Singapore and Bahrain. I too led delegations to Singapore, Germany, Hungary and Bhutan for strengthening business collaborations. During my tenure, we launched our 'Trade and Investment Facilitation Services' for the benefit of foreign investors. In addition, we also set up an Arbitration, Mediation and Conciliation Centre to resolve industrial disputes.

As Robert Frost's beautiful lines "The woods are lovely, dark and deep, But I have promises to keep, And miles to go before I sleep, And miles to go before I sleep," I bid adieu to the Chamber's members and secretariat and would like to thank them all, whose support and expertise has been crucial in taking the Chamber to its highest level. I am happy to mention here that the Chamber has expanded exponentially in terms of its influence, programs, activities and outreach in India as well as globally.

Let's earnestly follow "Always deliver more than expected" and "Always make your future bigger than your past." I am confident that industry will face all the challenges and develop new out-of-box ideas for making a 'New India by 2022' for the welfare of the country which would lead to enhanced Progress, Harmony and Development.

**"It's not about ideas. It's about making ideas happen."**

