Implications of the Budget on Manufacturing

"The government's intent of speeding up implementation of the GST by 2016, to reduce corporate tax from 30 per cent to 25 per cent over the next four years and focus on infrastructure will lay a sustainable platform for growth in the future. Overall, the Budget is excellent in terms of building a strong social fabric, which is the need of the hour. A lot was expected from the 'Make in India' initiative. Besides reassurances like revival of growth, investment and job creation in domestic manufacturing, the way forward is yet to be clearly understood. There is a clear necessity to lay down criteria for the manufacturing sector to compete globally in terms of capability, regulation harmonization, high technology usage, emission control, safety and skill development. Skill development is no doubt the key for employability and sustainable supply of skilled manpower. The creation of this positive wave would also flow to other key industries. Let us wait for the Big Bang reforms next year."

Vice Chairman & JV Partner, Toyota Kirloskar Motor, Vikram Kirloskar

"Without going into the maths of income and expenditure, I see Budget 2015 as an enabler for the Make in India vision, as a commitment to make it easier to do business for foreign and Indian companies alike, and as a blueprint for the way forward for healthcare, education, and skill development. The Budget, if implemented as stated, is a precursor for 'Achhey Din'. This year's Budget also sets the agenda to make taxation more transparent; promises to simplify procedures and give time bound approvals to projects. We will also have a national market that is free of tax visa across every state border. It deepens the Make in India agenda by opening up the defense sector for joint ventures. Not only will this proposal lead to import substitution, but also have a massive impact on the development of technology and create a new design, development and manufacturing blueprint in India. How achhey, of course depends on how sincerely the government executes its plans. A Budget, afterall, is a statement of intent, and not a guarantee of good implementation. So let's keep our fingers crossed."

MD & CEO, Shriram Pistons, AK Taneja

"This budget is a departure from the old, in the sense that the government plans to move away from the expanding subsidies. For example, tweaking MNREGA wherein that government proposes to make people earn wages under the scheme in the rightful spirit of 'Building India'. The Make in India proposal seeking investments by foreign companies wishing to obtain a slice of the investment cake will be a tremendous booster in terms of growth in manufacturing, manufacturing capability and investment in technology. The fiscal consolidation by rationalizing taxes including introduction of GST from the fiscal 2016–17 will ensure proper tax mobilization, leading to internationally competitive products to be made in India. The proposal to introduce the land acquisition act as modified will help unstick capital investments leading to further growth of the economy. Reduction in corporate tax from 30 per cent to 25 per cent for the four year period could have been done through increase in depreciation rates, for investment in capital goods which would have helped manufacturing industry, both up-stream and down-stream."

Immediate Past President, IMTMA and Chairman Miven Mayfran Conveyors Pvt Ltd, Vikram Sirur

"The first full budget of the NDA Government for the year 2015-16 was announced amidst high expectations. This Budget gives us a sense of direction for the mid-term and addresses several structural issues limiting growth. The proposed spend of ₹70,000 crore in road/rail infrastructure will certainly stimulate demand. The proposed road map for reduction in corporate tax from the current 30 per cent to 25 per cent over the next three years starting next year will make country tax slab comparable to South East Asian countries. The 2015–16 Budget scores high on direction. Implementation of these ideas together with other reforms in relation to ease of doing business and land and labor law reforms should accelerate growth and stimulate the manufacturing sector. The states too need to act in a concerted way and in sync with the national direction to harness the full benefit of these measures."

President, IMTMA and Managing Director, TaeguTec India Pvt Ltd, L Krishnan

"The Budget announcement has several new initiatives to promote investment in manufacturing such as infrastructure projects, easing of FDI in defence and railway production creating demand in the entire manufacturing value chain. To support easier implementation the government has announced several reforms in easier land acquisition, quick clearance of the necessary licenses. Above all government has announced a strong 'Make in India' initiative covering all facets of setting up and ease of doing business. Additionally the implementation of GST regime from April 2016 has given hope and comfort to the manufacturing industry. All these will certainly see growth picking up perhaps after three or four quarters, when many of the projects fructify. However in the immediate future there is no specific announcement whether in direct or indirect taxation to spur demand, except that with lowering of inflation, there are hopes of lower interest rates."

Past President, IMTMA and Managing Director, Ace Designers Ltd, Shrinivas G Shirgurkar

The recently released budget has brought about a series of reactions. We talk to industry stalwarts on what this means for the manufacturing sector. Please log on to **modernmanufacturing.in** for the unabridged version of this article.

Compiled by: Nedra Pereira, Deputy Editor,
Vogel Business Media India
nedra.pereira@vogel.de

"The Union Budget for the year 2015–16 is a progressive and attempts to address several issues. The focus of the Budget was on growth, investment, and promoting the 'Make in India' campaign of the prime minister. Certainly, the Budget comes as a big push for investments. A concerted focus on getting the country's infrastructure back-on-track together with a roadmap in place to rationalize the tax regime as also simplify measures towards ease of doing business. The main highlight is the reduction in the corporate tax rate from 30 per cent to 25 per cent over the next four years, which comes as a structured relief to India Inc. The deferment of GAAR provisions by two years with prospective application and discarding DTC would provide more certainty on the tax regime on corporate restructuring exercise and business transactions. Increase in service tax rate from 12 per cent to 14 per cent can be viewed as a step-forward to the enactment of GST regime in India."

Director General, IMTMA, V Anbu

"We view the Budget to be well positioned to straddle across infrastructure industry segments like steel, oil & gas, renewables, nuclear and cement industries, where power will play a vital role. Further, the announcement to set up five new Ultra Mega Power Projects is a very positive step and definitely strengthens the power value chain, right from clearances to execution. Also the GST regime, effective April 2016 is keenly awaited by the power electrical industry which will positively impact complicated tax issues and boost productivity and more business development. It is heartening to know that the government is consistently working on a pro-investment friendly environment. Certainly, the National Investment and Infrastructure Fund objective of ensuring an annual flow of ₹20,000 crore is a major step in this direction. Electrification by 2020 of the remaining 20,000 villages in the country, including by off-grid solar power generation, investment in infrastructure are solid initiatives."

Director General, IEEMA, Sunil Misra

"The Budget has been a pragmatic one with adequate focus on development of the social sector as well as that of the industry and infrastructure. We are happy that the GST will be implemented by next fiscal; also the budget has measures to encourage the Micro, Small and Medium sector (MSMEs). Establishing of an electronic Trade Receivables Discounting System (TReDS) for financing of trade receivables of MSMEs, would help improve the liquidity in the sector. MSMEs constitute over 70 per cent of ACMA's membership and scaling-up the sector has been a challenge. Additionally, it has allowed 20 per cent additional depreciation on new plant and machinery as against 10 per cent, and enhancement of time limit for taking CENVAT credit on inputs and services from six months to one year. Further, reduction of rate of income tax on royalty and fees for technical service from 25 per cent to 10 per cent will enable technology absorption in the auto component sector."

Director General, ACMA, Vinnie Mehta

"The recent Budget is investment-oriented, particularly in the area of infrastructure, and would increase the manufacturing capabilities of the country. The reduction in corporate tax to 25 per cent would ensure that Indian firms' tax liability is at a par with the ASEAN economies, while lowering of tax on royalty and technical fee is expected to help technology upgradation. Major emphasis has been placed on skill upgradation and the ease of doing business. The legislative framework being thought about in the grant of clearances would go a long way. Some of the initiatives such as the Mudra Bank for small and medium sized enterprises (SMEs) are well thought-out measures. However, the increase in service tax from 12 to 14 per cent could be a dampener as services and manufacturing are closely linked. Several manufacturing activities have inputs from the services. The Government's tax mop-up effort of over ₹15,000 crore could add to the economic cost."

Executive Director, EEPC India, Bhaskar Sarkar

"This has been one of the best Budgets in the recent past. Keeping in mind fiscal and other constraints it has done whatever a Budget can do to promote savings, investment, and hence growth. Fiscal deficit for 2014–15 have been maintained at 4.1 per cent of GDP and for even 15–16, it has been kept at 3.9 per cent only slightly higher than the 3.6 per cent of the GDP which had been thought of. The financial minister has promised to bring down the deficit to 3 per cent in three year time. Current account deficit for the current year is expected to be below 1.3 per cent of the GDP. To raise revenue excise duty rate will be increased from 12–12.5 per cent and service tax rate from 12.36 per cent to 14 per cent. In conclusion some may consider this a pro corporate budget but in reality it is a budget for growth, savings, industrial development and for the middle class."

Past President, CII and Chairman, Bajaj Auto Ltd, Rahul Bajaj

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"The Finance Minister, on February 28, 2015, presented a visionary and pragmatic Budget with a strong focus on reviving growth through investments. The Budget attempts to revive manufacturing growth by enhancing public spending, rationalization of taxes, focusing on ease of doing business, encouraging MSME and promoting entre-preneurship. It lays a strong emphasis on the public private partners, revamping the PPP model and encouraging greater investments by Central Government PSEs to revive and kick start investments cycle in the country. Micro and Small Scale industry comes out be a top gainer in the Budget. The proposals to create a Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of ₹20,000 crore and credit guarantee corpus of ₹3,000 crore. Given the significance MSME has with respect to employment generation and investment; the announcements are very positive."

Principal Adviser, CII,
Dr Sarita Nagpal

"We welcome the growth-oriented Budget 2015. It is consistent with the stated objectives of the government, reinforcing its commitment to realization of infrastructure projects. With the Budget, the government seems inclined to follow its bold path of building infrastructure and improve ease of doing business. Its intention to increase public investments while decreasing corporate taxation over a period of time are also steps in the right direction, and we are sure these steps will further improve the confidence of investors and industry alike. We also welcome the government's decision to defer GAAR by two years and the introduction of GST in April 2016."

MD & CEO, Siemens Ltd,
Sunil Mathur

"The Union Budget 2015–16 has proposals with a plethora of initiatives to revive economic growth, with promises for further benefits in the future. The Finance Minister has introduced several measures with respect to the manufacturing sector and industrial growth. Corporate tax rate is proposed to reduce to 25 per cent over a four year period beginning next year. To incentivize investment in new plant and machinery, additional depreciation of 20 per cent is allowed in respect of the cost of plant and machinery acquired and installed for manufacture of any new article or thing. Tax benefits for employing new workmen in manufacturing units, the eligibility threshold is brought down to 50 new workmen (from 100), subject to minimum 10 per cent of workforce. This measure would have multiple benefits. The employer would get additional tax deduction to the extent of 90 per cent of the first years cost and encourage direct employment."

Managing Director, VDMA,
Rajesh Nath

"At the outset, the macroeconomic indicators are clearly pointing towards environment of sustainable GDP growth. The CPI and WPI inflation indexes show downward trends, current account deficit is low and foreign exchange reserves are healthy. All these indicators will boost investor confidence. The government has taken several direct and some enabling measures for favorable impact on manufacturing and capital goods sector. Extension for tax deductions on investment in plant/machinery, higher import duties for non-taxi SUV segment are expected to help automotive industry. The higher allocation of funds for urban development and rural infrastructure will create demand pull for commercial vehicles and interest rate sensitive 2-wheeler segment. Thrust on agriculture infrastructure could help tractor segment which is currently in significant stress."

CEO, Bharat Fritz Werner Ltd,
Ravi Raghavan

"The Budget is practical, balanced and growth oriented. The decrease in taxation on royalty payments will propel the Make in India program to be successful. The introduction of bankruptcy laws are welcome and will build balance between entrepreneurship and lenders. Specifically for the defense sector, Budget allocation has been increased by 12 per cent to ₹2.46L crore. With focus on FDI in defense, Make in India, ensuring there is inclusive focus on skill development, technical entrepreneurship, and institutional mechanism to finance the MSME sector is encouraging for the defense sector."

Vice Chairman, AXISCADES Group of companies; CEO, Jupiter Capital Ltd; Chairman, FICCI Task Force - Aerospace and Air Defense, and Member of National Executive Committee FICCI ,
Sudhakar Gande