

Revival of Economy : Views by Experts

Mr. Ravi Pandit, Past President-MCCIA and Group Chairman-KPIT Group in conversation with Mr. Sudhanwa Kopardekar about the Emerging Business and Economic Prospects

Q: What is your take on the State of the World Economy ?

A: There are two things in the play, one being Covid Pandemic and the second thing is that the long term secular change. Some of these changes are expedited by Covid, while few have resulted only because of Covid. So what we see around is a combination of both of these. Clearly because of Covid there is a lot of beating of the global production and global demand and we kind of see that.

We also see changes also on account of secular change. For example, looking at our area of work which is automotive : In the case of Personal cars, there is a general reduction in production because of reduced demand. But there is also the whole trend towards shared mobility and electric mobility globally which will make a difference.

For me it is the phase of transition that even after Covid goes away, I do not think world would be just the same. I think the demand for residential areas will increase. The demand for offices and shops is going to go down but that will be like all time to come.

Q: What do you feel about the state of Indian Economy ?

A: Clearly the Indian economy has taken a bad beating. Again I think some of that it was because of Covid and immediate factors and some of that is on account of our long term problems eg. high cost of energy : is a long term problem because of the way in which we have managed the electricity or the blockage of funds from the banks is a long term problem because of the way loans have been given over the years after nationalisation of banks many years ago. Our response to Covid is an answer to some of the problems.

There has been a lot of criticism about the way in which we responded to Covid-19. But the fact is nobody knows,



no country in the world knows what is the best way to actually act with Covid 19. There was a time when everybody talked about the way Sweden responded to Covid, but now there the policy makers have apologised because they took Covid very lightly. We are at one end of the spectrum somebody like the US which is really badly hit by Covid and at the other end of spectrum is New Zealand which is not that badly hit.

I believe that here also Covid has accelerated some of the long term changes in India, which is good and we have to treat is an opportunity.

Q: What would be the opportunities going forward?

A : In this whole time of Covid what the Government has done for example, it has changed the Policies relating to agriculture. At some time of point in the future this would be regarded as a "1991" kind of moment for Agriculture. The government has changed the whole policy of procurement and the Government's monopoly in certain sectors, which is also like a 1991 moment. The government has also changed the labour laws. So some of these things that the Government has rightly done is that it has used this opportunity to address some of the long term issues and unlike what some others have to say, the Government has poured a lot of cash to solve this problem in a condition where cash is not easily available to the Government.

I think that using these long term policies for making changes is very useful. I still feel that they should sell off

some more banks, denationalise them. They should completely change the urban governance in the country. Today most of the urban governments run on the public services such as transport, water, sewage etc. if they were to have State Regulatory Authority and give out delivery these services the urban areas could be completely reformed.

So just there is work to be done on the rural/ agriculture reforms, there is work to be done on urban reforms. If the Government were to do that it can make a big difference to the future of this Country,

Look at the way public transport is managed in most of the cities, why should there be PMPML ? if you were just to have Pune metro transport authority, why worry about workers, job of spares and the absenteeism of drivers etc. ?

Q: What kind of Policy interventions are needed on the Fiscal and Monetary fronts in India to achieve higher levels of economic activity?

A: I think the interventions required are not those for only for additional resources in the form of raising taxes. Even from a monetary perspective, I don't think to put more money into the system. I think what is required is the better use of the funds that are currently in use. There is a need for governance of expenditure rather than anything else. I strongly believe that there is a strong case for GST rationalisation. I think the government has the learnt the lesson so far. There can be much more rationalisation. I am not in favour of either raising the taxes or cutting the taxes. If we check, learn to manage our expenses well for a economic policies like eg. I talked about urban reforms or the agriculture sector reforms such as ending the monopoly of APMCs is a phenomenal development.

Q: What are the learnings for the future from the ongoing pandemic

for entrepreneurs?

A: There are certain things where you draw your learning from and then are certain things where you should not draw your learning from. So for example if something like this is happening in 100 years, last time the Spanish flu struck in 1918-there is a drop in the revenue of the Companies by 50%- 60% and if my entrepreneurial learning from this is to variabilise the cost and make 50% of your cost variable then, I feel, this is not the right learning. Because if you make 50% of the cost variable you actually increase your cost, so I would not take this as learning. Learning in this case is more for the Policy Makers-When such an unforeseen event happens, what should the Policy Makers do ? eg : Many countries have implemented certain measures –How do you ensure that you that the employees' income is guaranteed, like in Germany -if somebody is working 20 days a month and if he is wanting to work for 5 days in a month, the government will pay salary for the rest 15 days for the next 6 months. Or for example, in our case we can see that the Government is essentially saying that if you have a loan, we will give you zero cost moratorium for two years. So these are the kind of lessons that a Government can learn which have a major impact for an individual entrepreneur.

If an individual entrepreneur was to plan his business that at any point of time his 25%-30% business will go, then we know in which he can beat. So learning, in my opinion, when it comes to management of enterprises it is for Government. The way I look for it as learning for a business is actually seeing opportunities that have come. So, look at it like this, how much of the new opportunities which have been created for Indian educational firms to give tuitions for students in US-what a big opportunity !. I know a young man who sells exotic plants and his business has shot up as people sitting at home would like to have new plants. Business of eCommerce companies has increased substantially. So these are the opportunities that have come up and is a good thing. I wouldn't draw a lesson-Anyway the world is coming to an end, so let me not do anything.

Q: In your opinion how the Indian/Pune industry has responded to the recent challenges and opportunities due to Covid 19?

A: Any problem that you come across, you should look at it as an opportunity. If you want to run a business this has to be your mantra. eg For an IT Company like ours : Our problem was that because of Covid, people may not come to office, our opportunity was that – People need not come to work. So 98% of our people are working from home and are working by and large okay. Our concern is that they are is that people working for longer hours and it may not be sustainable and good for their health. So the problem to solve is it still happens in a disciplined way. Another problem is that when people are working from home there is a lot of disturbance because you cannot be doing your work from time to time. Then how will you give them an opportunity via facility or equipment where they can work from home like they worked in office. I have seen many companies who are really facing difficulty but I have also seen companies who have done very good in the current conditions. And what has also happened is that because of this China scare etc. clearly it has given boost to Indian companies saying that we can do import substitution and the customer is willing to pay 10%-20% more for getting something done in India. So I think people could take good benefit out of this.

Q: What can be done by SMEs to achieve business growth in the short to medium term?

A: I think the first thing that we all have to realise is that the world is changing and a change actually give opportunities rather than trouble, we have to start with that mind set and apply it applies to everyone. eg: I used to go to Yoga classes twice a week, now that institution has started giving Yoga lectures at home and they have done this so beautifully I am sure they are growing during these times. Likewise hotels and restaurants have started delivering food at home. Can a Hotel or a Restaurant look at his business not as a provision of place for eating but a place for provision of food for eating. In business, generally it is always like this :

Out of 100 people in business probably 10 of them are agile, they completely change. In the new business, they will take the lead, the other 90% of the people keep on ruing the fact that their earlier business has been ruined. My request to our members : look at the Problem as an Opportunity. They have to think what can be done ?

Q: What can be done by the government to stimulate economy?

A: The Government should look at these problems as an opportunity and make basic broad policy changes in way which run our life. They have done good work for labour, they have to good work for banking which have they have not done yet, they have not done good work for the distribution of public services in urban areas, management of electricity. There is so more work which needs to be done. I think we should go out and do it fast.

As soon as Covid goes away it is possible that people will protest for any strong change that you make. Can you imagine Govt making change in labour laws and seeing not having a single morcha before ?. Why cant they change the urban transportation, urban solid waste management, all of that they can do now. There is nothing different to be done for "demand Stimulation", you just need to investments in roads etc. and just do it fast. Supposing investment has to be done by the Government in Irrigation-let there be a Reverse Auction. Suppose we are able to make people to show the acres that would come under irrigation. So that would give a pointer to the Government : Suppose Government puts in Rs. 1 crore-and people commit another Rs. 50 lac by their efforts, and the highest traction (in terms of acres) is applicable. If we do something like this – Government's expenditure can be managed.

The whole thing about Defence – Government has come up with the Defence Procurement Policy-giving opening to Private Sector. What is the harm in giving orders to Indian Private parties where quality of the domestic manufacturer is good, particularly in areas where we have been importing from international private parties. So I

think these are the changes we should do just now.

I think that at this moment Public health and the insurance have to be more efficient. But the direction is right.

Q: What are your thoughts about Pune's economy over last few years and its potential?

A: Pune's automotive industry has tremendous potential because of the new automotive segment-Electric Vehicles, Fuel Cells. In the seat of knowledge there is huge potential because now that we know that a student does not have to be in person in the class, the whole world is a

classroom. How can we improve our offering when there are global universities - It is a very tough question. We have to increase our standards and if we increase that, then 10% of the people can do 90% of the work. The third area where we can do a lot of work is food processing and combined food processing with agriculture with eCommerce especially in the context of new APMC Law. Pune has a lot of industries and I think this is a very smart time to rethink.

Q: Any thoughts for MCCIA's activities and initiatives for the industry over the past few months

and in the months ahead?

A: We should see that in these areas (digital events organised by MCCIA) – we should see that not only industry in Pune - but the whole industry is our customer. So certainly our scope changes. Now that we know that our members are suffering - this is the time to do more for them. – How do you digitise your business, how do you expand your business, how do you look at markets outside. You could organise 15-20 minute talks on “How I have beat Covid” (in terms of business). Some thing on the lines of TED Talks could be very inspiring for our stakeholders.

Mr. Mukesh Malhotra, Past President-MCCIA

1. What is your take on the State of the World and Indian Economy?

A: There is hardly any argument that the Covid-19 pandemic has created a disastrous situation for the World Economy and particularly so for the Indian Economy, which was already showing a marked downward trend for more than 3 years till the Covid-19 pandemic precipitated matters even further. The shock of complete lockdowns and shutdowns of almost the entire spectrum of economic activities was an unprecedented one, not seen for many generations or perhaps ever before.

India, in particular seems to have suffered much worse than most of the emerging economies, due to certain inherent structural issues in the economy. The continuing reduction of demand in both the rural and urban sectors has applied a massive brake on economic growth, which somehow does not seem to have been fully appreciated by the powers that be. Most of the Government's corrective actions have been on the supply side whereas the demand side has not received the attention it deserves.

2. What kind of Policy interventions are needed on the Fiscal and Monetary fronts in India to achieve higher levels of economic activity? What can be done by Government to stimulate growth in Indian economy?



A: Given the continuing downward trend in India's GDP growth for almost 10 quarters or more and the perilous state of the World Economy caused by Covid-19, in spite of a massive injection of liquidity by the developed countries, has more or less eliminated any cushion for the government in the fiscal space. The over-hang of the NPA situation with the Banking sector has also reduced any possible flexibility on the monetary front. The Government seems to be caught between a rock and a hard place on both fiscal and monetary fronts.

However, without Government action to stimulate demand on both the rural and urban fronts, the state of the Economy will remain moribund, with little chance of the much-desired spurt in growth. Monetization of the extremely comfortable Foreign Exchange reserves which exceed \$550 billion today, and exceeding the F.R.B.M. limits on the fiscal side to provide the necessary kick-start the economy, is absolutely essential at this stage. The fear that international investors will respond

negatively to a higher fiscal deficit are overblown, in my opinion, given the deficit financing almost every other economy is resorting to and justifiably so.

Also, the Government must focus, motivate and facilitate the Export Sector without which it would be extremely difficult to revive the Economy. We only need to look at our neighbouring country – Bangladesh, which is managing to grow even in the Covid-19 era due to its pro active export-oriented policies and focus. Encouraging and enhancing exports requires policy interventions and actions in several areas including “true-ease-of-doing-business”, especially at the state and local levels; and an opening of the economy, particularly in view of the anti-globalisation environment that is raising its head in these tough economic times. No economy in recent times has achieved sustained high growth without higher than normal export growth. If proper policy measures are put in place and suitable incentives given, there is no reason why India cannot achieve sustained double-digit export growth.

3. What are the learnings for the future from the ongoing pandemic for entrepreneurs?

A: I think the answers are quite obvious. Learnings are that entrepreneurs must factor in totally unexpected events in their Business Plan and have

some kind of a well-thought out strategic "Plan B" to tackle and go through such periods of crisis. Obviously, over leveraged businesses would be the worst affected during the crisis times when economic activity crashes and hence the need for companies to have a conservative debt and leverage policy, as far as possible.

Furthermore, Entrepreneurs need to employ agile and innovative thinking to explore and find niches of economic activity that they can address very quickly, e.g. fashion garment manufacturers quickly retooling to make PPE kits which were in huge demand during the pandemic.

And finally, the pandemic has clearly shown how important it is for entrepreneurs and businesses to develop and have a healthy, "win-win" relationship with ALL their stake-holders, especially - vendors, staff & workers, and financial institutions.

4. What are your thoughts about Pune's Economy over the last few years and its potential ?

A : While I do not have any data or Statistics to back-up my opinion, my impression is that the diversity of the make-up of Pune's economic structure has helped Pune's economy to perform at better than average levels, over the past few years, though perhaps not driving to its full potential.

One of the important pillars of Pune's industrial sector, i.e. Automobile and Allied industry has been seeing

fairly stressed times due to drop in demand nationwide. As such, all those industries related to this sector have been suffering disproportionately. Although there are many bright stars in Pune which have managed to negotiate the downturn and come out rather successful even in this sector.

The IT sector, on the other hand, which also enjoys the advantage of its workforce being able to effectively "Work from Home", has not seen very tough times and done fairly well during this period.

The FMCG, Food and Pharmaceutical sectors have, of course, been the least effected, and in fact to some extent have been boosted, by the fallout of the pandemic and have done quite well, getting back to pre-Covid levels very quickly.

Given the very positive and fertile ecosystem that exists in Pune, I have no doubt that Pune's Entrepreneurs will lead the country with speed, skill and innovative action and continue to grow at a higher rate than the national economy, as Pune has been doing for the last decade or two.

5. Any thoughts for MCCIA's activities and initiatives for Industry over the past few months and in the months ahead ?

A : I am justifiably proud of the MCCIA, its Secretariat and its Board and Executive Committee members for their foresight and ability to take proactive measures in every aspect of the social and economic systems, by

providing services not only to its members but to the business and industrial community and the city at large.

The level of dedicated professionalism and focussed action that the Chamber has exhibited all through its existence is remarkable.

Nothing validates the above statement more than the Chamber's pro-active role in putting together "Pune Platform for Covid-19 Response" (PPCR) spearheaded by the Chamber's leadership under Past President Pradeep Bhargava and President Sudhir Mehta, and so effectively executed by its staff led by Director General Prashant Girbane, who went above and beyond the call of duty to ensure that almost every aspect of desired response and action to mitigate the effects of the unprecedented Covid-19 pandemic were successfully carried out. I dare say that without this proactive initiative, PUNE would not have been able to tackle the crisis as well as it has.

Building bridges of co-operation with the Senior local authorities also played a great role in assisting Pune's industry to spring back into production and economic activity much faster than the other cities.

I am sure that these activities will continue and the Chamber will provide much comfort and assistance to the economy of the city in the months and years ahead.

Mr. A. P. Pargaonkar, Chairman - Ahmednagar Committee, MCCIA and Joint General Manager - Schneider Electric India Pvt. Ltd.

1. What is your take on the State of the World Economy ?

World economy is badly affected due to Pandemic situation. Those countries not having stricter lockdowns are little down in their GDP. Surprising China is showing positive GDP growth for the period of first half yearly of 2020-21. Due to restrictions like international travel, different methods of lockdowns in different countries, the international trade is also affected badly.



2. What do you feel about the state of Indian Economy ?

Indian economy is suffered very badly in the first qtr of 2020-21 due to stricter lockdown in the country. It was minus 29%. But overall yearly GDP for the financial year 2020-21, it is predicted as minus 10.21%. This is world's worst figure. But India has potential to bring it to normal growth rate by January 2022.

3. What can be done by Industry to achieve higher levels of growth in the next three to six months ?

Industry will have to build confidence

amongst working people so that they can give 100% output. Secondly, there should provision of proper medical help in the society. Adequate insurance coverage to all employees will boost their efficiency. With the use of digitalisation & IT platform, businesses should adopt new methods of working.

4. What kind of Policy interventions are needed on the Fiscal and Monetary fronts in India to achieve higher levels of economic activity ?

There should be continuous dialogue of policy makers & industry. Policy makers should study ground reality while formulating policies. There should motivation to the investors for FDI. Industrial reforms which are long pending should be implemented. Govt should bring in policies to attract industry in China to get relocated in India.

5. What are the learnings for the future from the ongoing pandemic for entrepreneurs ?

Entrepreneurs should be now alert for pandemic kind of threats in future.

Measures should be planned for protection of the businesses in such situations. New opportunities seen during current pandemic can be explored as a diversification.

6. In your opinion how the Indian / Pune Industry has responded to the recent challenges and opportunities due to Covid-19 ?

Indian / Pune industry responded partially good as industry could not take care of migrant labours in this situation. This affected badly when partial normalcy came. There is acute labourer shortage.

7. What can be done by SMEs to achieve business growth in the short to medium term ?

SME should become more flexible & deliver mother industry thinking out of box. SMEs to manage finance properly as it is costly in current situation.

8. What can be done by Government to stimulate growth in Indian economy ?

There should be frequent dialogue

with various business forums to understand the need of the industry. There should be certain concessions given in laws related to industry.

9. What are your thoughts about Pune's Economy over the last few years and its potential ?

Pune economy is shifting its centre of gravity from manufacturing industry to IT industry. IT based economy is bit more volatile as compared to manufacturing industry. There should be proper balancing.

10. Which sectors are likely to achieve sound growth in the next few years ?

Health industry will grow in next few years. Industry 4.0 related business will also grow.

11. Any thoughts for MCCIA's activities and initiatives for Industry over the past few months and in the months ahead ?

MCCIA is doing excellent work & should continue the same.

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