



वर्ष 46 अंक 9  
30 सितम्बर 2016

# मेवाड़ चेम्बर पत्रिका

(मेवाड़ चेम्बर ऑफ कॉमर्स एण्ड इण्डस्ट्री का मासिक पत्र)

उदयपुर, चित्तौड़गढ़, डूंगरपुर, बाँसवाड़ा, प्रतापगढ़  
राजसमन्द एवं भीलवाड़ा का सम्भागीय चेम्बर

MANTRAS FOR SURVIVAL & TRANSFORMATION  
OF BUSINESS PERFORMANCE



## मेवाड़ चेम्बर ऑफ कॉमर्स एण्ड इण्डस्ट्री

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**RSWM Limited**  
an LNJ Bhilwara Group Company

## THE RSWM FOOTPRINT



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# MEWAR CHAMBER OF COMMERCE & INDUSTRY

Mewar Chamber Bhawan, Nagori Garden

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## AFFILIATION

At the International Level : International Chamber of Commerce, Paris (France)

At the National Level : Federation of Indian Chamber of Commerce & Industry, (FICCI) New Delhi

Indian Council of Arbitration, New Delhi

National Institute for Entrepreneurship and Small Business Development  
(NIESBUD), New Delhi.

Confederation of All India Traders, New Delhi

At the State Level : Rajasthan Chamber of Commerce & Industry, Jaipur.

: The Employers Association of Rajasthan, Jaipur.

: Rajasthan Textile Mills Association, Jaipur

## REPRESENTATION IN NATIONAL & STATE LEVEL COMMITTEES

All India Power loom Board, Ministry of Textile, Govt. of India, New Delhi

National Coal Consumer Council, Coal India Ltd., Kolkata

State Level Tax Advisory Committee, Govt. of Rajasthan, Jaipur

State Level Industrial Advisory Committee, Govt. of Rajasthan, Jaipur


Regional Advisory Committee, Central Excise, Jaipur

Foreign Trade Advisory Committee, Public Grievance Committee, Customs, Jaipur

DRUCC/ZRUCC of North Western Railways

# NEW MINDSET FOR GROWING BUSINESS PROFITABLY UNDER CURRENT ECONOMIC UNCERTAINTIES AND GEO-POLITICAL TURBULENCE

Many of our members had desired for presentation of Shri B.R.Jaju, given in the Golden Jubilee function. On our request Shri Jaju has very kindly sent us his presentation. On behalf of members of MCCI, we extend our sincere thanks to Shri B.R.Jaju.




**MANTRAS FOR SURVIVAL & TRANSFORMATION OF BUSINESS PERFORMANCE**

**New mindset for growing business profitably under current economic uncertainties and geo-political turbulence.**

**Mewar Chamber of Commerce & Industry  
Bhilwada  
27<sup>th</sup> August 2016**

**B. R. Jaju (B.com, FCA, FCS & LL.B)**  
(Awarded 4 times Best Performing CEO's All India Basis 2003, 2005, 2006 & 2012)  
Chief Financial Officer  
Diligent Power (Bhaskar Group)



**Traditional Way of Managing Business**

**+**

**Without Re-organizing Business Portfolio & Capital Structure along with robust Business Strategies**

**=**

**Dying Businesses/Industry on Slow Poison/Steroids**

## COVERAGE

- Shifting business gears and inquisitiveness of the Industry.
- Business challenges and disruptive road blocs.
- Break through approach for Business transformation and growing business profitability.
- Corporate case study.
- Parting thoughts.
- Shifting business gears causing 'turbulence' and 'uncertainties' to present business landscaping.
- Curious inquisitiveness from the Industry captains/CEO.



10/1/2016

## INQUISITIVENESS FROM THE INDUSTRY CAPTAINS

- In the backdrop of mounting economic uncertainties, subdued global markets, competitive pressure on business margins, not being able to cope up with impact of shifting of business gears, we hear two recurring questions from the industry captains/CEO/MD.
1. In the face of uncertainties and turbulence, how can my company deliver near term profit growth and ensure economic returns.
  2. How can I take advantage of 'uncertainties' and turbulence to win and stay afloat.



## BUSINESS CHALLENGES AND DISRUPTIVE ROAD BLOCKS

### SELF DESTRUCTIVE PRACTICES – LEADERSHIP VIRUS



Denial

Changing 'customers tastes' and emerging technology  
Conflicting Interests  
Incomplete /false disclosures  
Perpetrated frauds and non compliances

Arrogance  
(Pride before fall)

Exceptional Achieve. of Past wraps present realities  
Not listening to young Ideas  
You are 'smarter' than others

Complacency

Past Success under regulated monopoly  
Business is dependant on subsidy /govt support

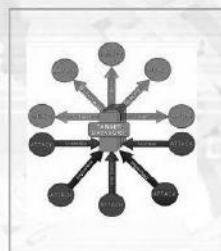
Greed Obsession

Justify every financial norms for growth and unearned profits  
Achieve growth devoid of business fundamentals  
Overleveraging and over trading on equity

### KEY CHALLENGES & ROAD BLOCKS – IMPACTING BUSINESS GROWTH & PROFITABILITY

- Global slow down.
- Balancing margins while investing for long term.
- Creating liquid balance sheet.
- Maintaining and managing high quality growth.
- Working capital management.
- Availability of talent.
- Changing the business mix.
- Currency volatility.
- Compliances to regulatory laws.
- Risk mitigations strategy.

### MAJOR CHALLENGES OF BUSINESS MERGERS & ACQUISITIONS (M&A)



- Valuation issues for consideration
- Accounting irregularities
- Macro economic issues
- Volatility in forex & interest rates
- Loss of Key Customers
- Integration issues
- Mis-aligned products
- Regulatory issues
- Law suits

### M&A-GROWTH PANACEA !! A FEW GLARING EXAMPLES EXPLODES THE MYTH



Tata Steel - Corus

Tata Chemicals - Gen.  
Chemicals

Hindalco - Novelis

Renuka sugar - Brazil Sugar

United Sprits - Whyte &  
Machay

Suzlon - Repower

Indian Hotel - Acquisitions

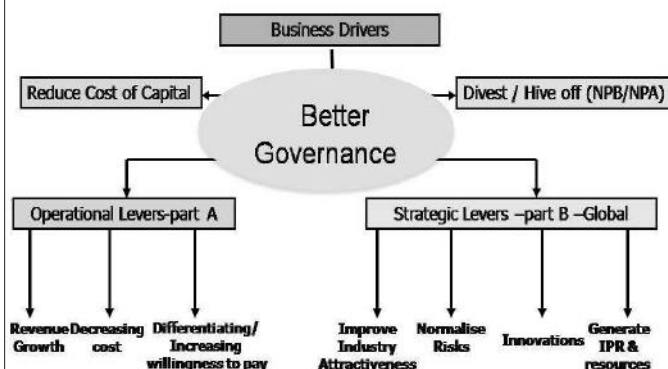
Pharma – Overseas Acq.

BREAK THROUGH STRATEGIC OPTIONS FOR  
BUSINESS TRANSFORMATION AND GROWING  
PROFITABLY

## BREAKTHROUGH APPROACH FOR 'BUSINESS TRANSFORMATION'

- Ramp up 'Enterprise value' – Flexing with operational and strategic levers.
- Risk mitigation strategic options.
- Variabilisation.
- Growth through M&A – follow cardinal principals.
- Embark corporate restructuring initiatives.
- Cash for growth – neglected power of WC management.
- Develop business measurement tool kit.
- Innovation to become 'DNA' of business.
- Uncover the opportunities to build competitiveness:
  - a. Asset rationalization.
  - b. Delayering
  - c. Procurement and supply chain.
  - d. Investment in core customers/key people/R&D.

## RAMP UP ENTERPRISE VALUE - FLEXING WITH OPERATIONAL & STRATEGIC LEVERS

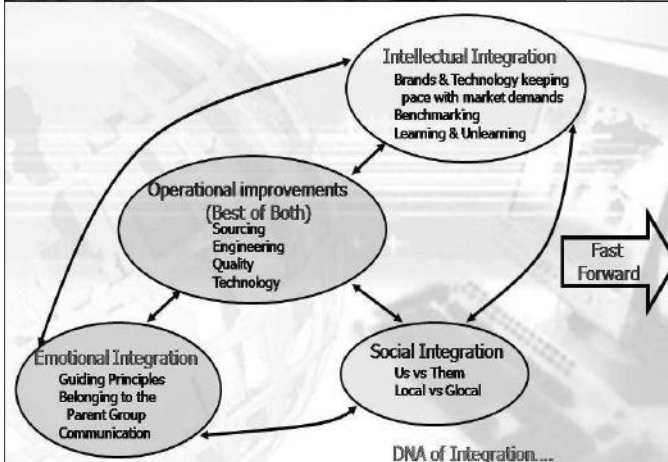


## MAJOR ENABLERS FOR SUCCESSFUL M&A / STRATEGIES

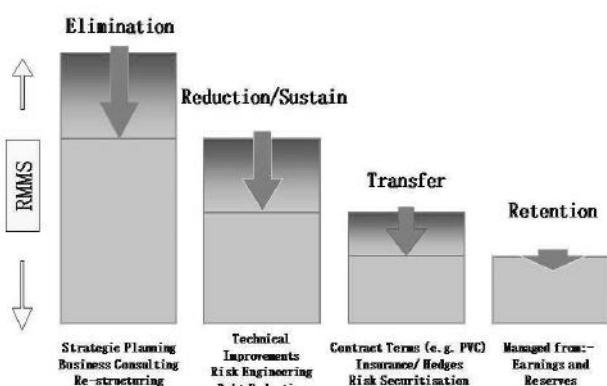


- Earn the right to acquire by having strong core business
- Take targets which will improve further FCF/ Operating Margins
- Identify low hanging fruits & other potential synergetic gains
- Maintain patience/discipline during negotiations
- Plan & execute integration seamlessly & timely

## FACETS OF INTEGRATION CHALLENGE-KEY TO SUCCESS M&A DEALS



## RISK MANAGEMENT/MITIGATION STRATEGIC OPTIONS

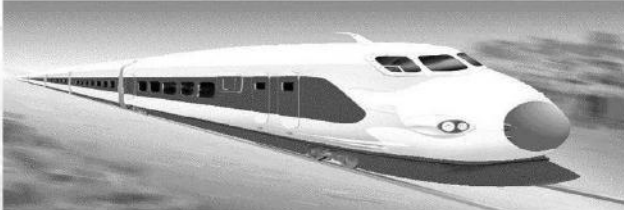


## MEASUREMENT TOOLS OF BUSINESS PERFORMANCE & KEY ENABLERS FOR REVOLUTIONARY GROWTH

- Magic Mantra for measurement of Business Performance  
Returns / Profits = **Margins x Velocity**  
**validated thru Economic Value Added (EVA)**
- **Look for future Value : look at price/earning ratio.** Investors will decide quality & composition of these earnings and Incremental EVA.
- **Key Enablers for breakthrough enhancement in Margins, Profitable Growth & Retention of Key People:**
  - a) Look at your business from the "outside in".
  - b) Look beyond the industry boundaries & existing markets to customer total needs.
  - c) Find market segments that are growing or create them
  - d) Built new core competencies & Skill Sets to capitalize on your new opportunities
  - e) Use EVA to incentivize Key People for them to share business Prosperity
  - f) **Innovation & Creativity**

## A CORPORATE CASE STUDY - BUSINESS TRANSFORMATION THRU PATH BREAKING BUSINESS STRATEGIES

**Business Initiatives to get leverage on technology and newer markets**



## 1999-2001 - THE DISASTROUS YEARS

WHEN COMPANY WAS STRUCK BY THE TURBULENCE OF AN ECONOMIC TSUNAMI

**Financial Insolvency**

**SAVE**

Company's Management Mandate: No efforts shall be spared & will endure inevitable pain of reviving the company's economic adulthood and safeguarding stakeholders' interest

## LEVERAGING OPERATIONAL LEVERS TO ACCELERATE PROFITABLE GROWTH & ENHANCE ENTERPRISE VALUE

**Thrust on Experts**

- New products/Services
- Marketing Drive (MILE)
- Technology upgradation

**IT enabled Initiatives**

- Reduce cycle time
- Customer relationship
- Working Capital Management
- Improved compliances

**Accelerated initiatives on :**

- productivity & Quality related
- Sourcing focus on LCC/Strategy
- Health & Safety

**Values:**

- Performance Excellence
- Leading Edge Knowledge
- Nurturance
- Customer Orientation
- Intellectual Honesty

**HR Initiatives**

- Move Towards meritocracy
- Performance based Incentive/EVA
- Training & Development
- enablement of HR Processes

**Growth Strategies & Initiatives**

- Increase Global footprint
- Initiate for Global Acquisition
- Organic Growth Initiatives
- Economics of Scale

**Fiscal Initiatives:**

- Improved Rating & Leverage Capabilities
- Reduced Cost of Borrowings
- Risk Mitigation Initiatives - Operations, Forex & Commodity

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## GROWTH STRATEGY THRU CROSS BORDER ACQUISITIONS STEADY FLOW OF POWER & PROSPERITY

1<sup>st</sup> acquisition in May 2003 with manufacturing site at Belgium

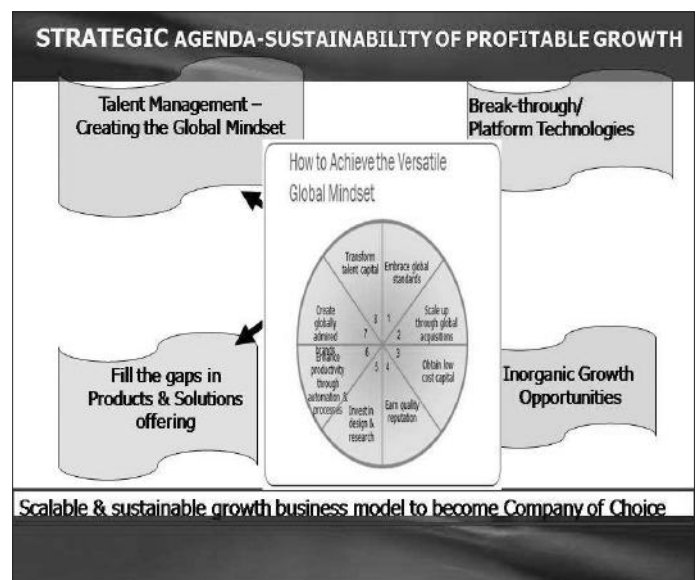
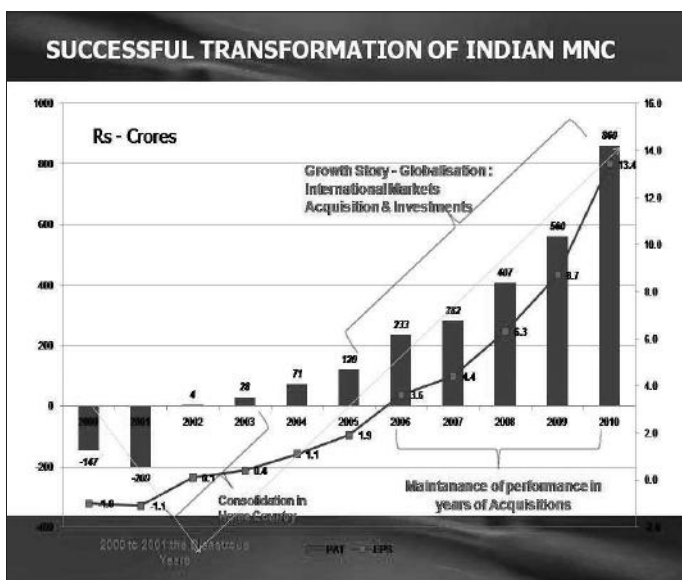
2<sup>nd</sup> acquisition in Oct 2006 with manufacturing site at Hungary

3<sup>rd</sup> acquisition in May 2007 headquartered in Ireland with large presence in UK & USA

4<sup>th</sup> acquisition in mid 08 headquartered in France

5<sup>th</sup> acquisition in Oct 2008 in USA

Company's transformation from its economic turmoil to a model of wealth creation captivates overseas aspirants to join the ranks



## PARTING THOUGHTS AND TAKEAWAYS

10/1/2016

### Managing Profitable Business Growth – & Inspiring Learning from World Leaders



– Their growth is profitable, sustainable & capital efficient. **Not all growth is good.**

– They grow because growth is in the company mindset, created by the company entrepreneurial leadership and percolate down to Bottom

– They believe that there is no such thing as a mature business. In other words instead of big fish in small pond, it would be small fish in big pond.



– Growing is less risky than not growing

– Growing is a creative game. It does not require a degree or licence. It requires curiosity, Imagination & emotional energy.

– They address issues which restrict growth – **Market, Valuation & Human Capital**



### FOCUSED N COMMITTED LEADERSHIP MATTERS –FOR ATTAINING PROFITABLE N SUSTAINABLE GROWTH



#### Business Leadership



**AUTHORITIES  
STAKEHOLDERS**

INNOVATION  
TECHNOLOGY DRIVEN  
GOVERNANCE  
SPEED  
COMPLIANCE



Presently engaged as CFO for DB Power, a mega venture of Bhaskar Group, which is leading print media and operating several diversified activities. Prior to DB Power, served as Director and CFO of Welspun Corp, Global CFO of Crompton Greaves, CFO- Reliance Petrochemicals (since merged with RIL), CFO- VIP Group, Global CFO and Executive president - Zee Network and Senior Finance Position - Wipro, with professional working career spanning over 39 years.

Got conferred the unprecedented four times most illustrious national awards as Best Performing CFO, judged by nationally renowned jury

- ❑ 2003 -IMA-Business Transformation
- ❑ 2005 - IMA-Excellence in finance in Large Corporates
- ❑ 2006-CNBC TV18 and Toyota Corolla, at Dubai
- ❑ 2013 - ICAI -Engineering and Capital Goods

Sector

Also the recipient of India's overall Wealth Maximization Award from BSE, while serving as Executive Director and Global CFO with Zee Network. Among several accomplishments, most notably include having significantly contributed for achieving phenomenal financial and operational turnaround of CG, besides several Global M&A activities, which has led to enhancing the Shareholders' wealth many fold (USD 17 Mln. to 2.5 Bln.) in just nine years.

Served as Chairperson of Finance & Tax Panel, CII, Maharashtra for three years (2004-2007), Member of Economic Affairs Panel CII, Maharashtra & CFO Forum CII (WR) besides special invitee for the CII-Western India Regional Council (2008-09) and Member-CII National Council on Corporate Governance 2008-09. Got co-opted member to Committee of Members in Industry (CMII) of ICAI (2008-09).

Got honored over 300 times for significant contributions made as a Key Speaker and/or Chairperson for prestigious workshops, seminars and conventions, organized by National Apex Forums, reputed Institutes/ B-Schools and over 50 times overseas. Got honored one among top 100 Marwari's of Mumbai in 2012. Got Conferred most coveted 'Maheshawary Ratana Award -2012' for Maharashtra State to recognize outstanding performance in private sector.

Professionally qualified as B.Com. F.C.A.(All India Rankholder), F.C.S. and Law Degree (LL.B) from the University of Mumbai. Other passions include magic par excellence and have demonstrated breath holding magical performance to an audience of over 7000 in Jan. 2005 as well as at several other occasions.

Operates a medical clinic since 1992 free of cost to serve downtrodden society Treated over 4 lac patients visits since 1992. Free distribution of over 150 artificial limbs to disabled people in Jan 2013 met with grand success, among several projects.



**Shri B. R. Jaju**

## **GST-FAQ (Released by CBEC)-PART-2**

### **LEVY OF AND EXEMPTION FROM TAX**

#### **2. Levy of and Exemption from Tax**

##### **Q 1. Where is the power to levy GST derived from?**

Ans. Article 246A of the Constitution, which was introduced by the Constitution (101st Amendment) Act, 2016 confers concurrent powers to both parliament and state legislatures to make laws with respect to GST. However, -clause 2 of Article 246A read with Article 269A provides exclusive power to the Parliament to legislate with respect to inter-state trade or commerce.

##### **Q 2. What is the taxable event under GST?**

Ans. Supply of goods and/or services. CGST & SGST will be levied on intra-state supplies while IGST will be levied on inter-state supplies. The charging section is section 7 (1) of CGST/SGST Act and Section 4(1) of the IGST Act.

##### **Q 3. Is the reverse charge mechanism applicable only to services?**

Ans. No, reverse charge applies to supplies of both goods and services.

##### **Q 4. What will be the implications in case of purchase of goods from unregistered dealers?**

Ans. The receiver of goods will not be able to get ITC. Further, the recipients who are registered under composition schemes would be liable to pay tax under reverse charge.

##### **Q 5. In respect of exchange of goods, namely gold watch for restaurant services will the transaction be taxable as two different supplies or will it be taxable only in the hands of the main supplier?**

Ans. No. In the above case the transaction of supply of watch from consumer to the restaurant will not be an independent supply as the same is not in the course of business. It is a consideration for a supply made by the restaurant to him. The same will be a taxable supply by the restaurant.

##### **Q 6. Whether supplies made without consideration will also come within the purview of Supply under GST?**

Ans. Yes only those cases which are specified under Schedule I to the Model GST Law.

##### **Q 7. Who can notify a transaction to be supply of goods and/or services?**

Ans. Central Government or State Government on the recommendation of the GST Council can notify a transaction to be the supply of goods and/or services.

##### **Q 8. Will a taxable person be eligible to opt for composition scheme only for one out of 3 business verticals?**

Ans. No, composition scheme would become applicable for all the business verticals/registrations which are separately held by the person with same PAN

##### **Q 9. Can composition scheme be availed if the taxable person effects inter-State supplies?**

Ans. No, composition scheme is applicable subject to the condition that the taxable person does not affect interstate supplies.

##### **Q 10. Can the taxable person under composition scheme claim input tax credit?**

Ans. No, taxable person under composition scheme is not eligible to claim input tax credit.

##### **Q 11. Can the customer who buys from a taxable person who is under the composition scheme claim composition tax as input tax credit?**

Ans. No, customer who buys goods from taxable person who is under composition scheme is not eligible for composition input tax credit because a composition scheme supplier cannot issue a tax invoice

##### **Q 12. Can composition tax be collected from customers?**

Ans. No, the taxable person under composition scheme is restricted from collecting tax. It means that a composition scheme supplier cannot issue a tax invoice.

##### **Q 13. What is the threshold for opting to pay tax under the composition scheme? Ans.**

The threshold for composition scheme is Rs. 50 Lakhs of aggregate turnover in financial year.

##### **Q 14. How to compute 'aggregate turnover' to determine eligibility for composition scheme?**

Ans. The methodology to compute aggregate turnover is given in Section 2(6). Accordingly, 'aggregate turnover' means 'Value of all supplies (taxable and non-taxable supplies + Exempt supplies + Exports) and it excludes Taxes levied under CGST Act, SGST Act and IGST Act, Value of inward supplies + Value of supplies taxable under reverse charge of a person having the same PAN.

**Q 15. What are the penal consequences if a taxable person violates the condition and is not eligible for payment of tax under the Composition scheme?**

Ans. Taxable person who was not eligible for the composition scheme would be liable to pay tax, interest and in addition he shall also be liable to a penalty equivalent to the amount of tax payable. (Section 8 (3) of the MGL).

**Q 16. What is the minimum rate of tax prescribed for composition scheme?**

Ans. 1%

**Q 17. When exemption from whole of tax collected on goods and/or services has been granted unconditionally, can taxable person pay tax?**

Ans. No, the taxable person providing such goods or services shall not collect the tax on such goods or services.

**Q 18. What is remission of tax/duty?**

Ans. It means relieving the tax payer from the obligation to pay tax on goods when they are lost or destroyed due to any natural causes. Remission is subject to conditions stipulated under the law and rules made thereunder.

**Q 19. Whether remission is allowed under GST law?**

Ans. Yes, proposed section 11 of Model GST law permits remission of tax on supply of goods.

**Q 20. Whether remission is allowed for goods lost or destroyed before supply?**

Ans. Remission of tax will apply only when tax is payable as per law i.e. taxable event should have happened and tax is required to be paid as per law. Under GST Law, levy is applicable upon supply of goods. Where goods are lost or destroyed before supply, taxable event does not occur in order to pay tax. Accordingly, question of remission of tax does not rise.

**Q 21. Whether remission is allowed on goods lost or destroyed for all reasons?**

Ans. No, on plain reading of the language of proposed Section 11, remission is allowed only for those cases where supply of goods is found to be deficient in quantity due to natural causes.

**Q 22. Does the model GST Law empower the competent government to exempt supplies from the levy of GST?**

Ans. Yes. Under Section 10 of the Model GST Law, the Central or the State Government, on the recommendation of the GST council can exempt the supplies from the levy of GST either generally or subject to conditions.

**Registration**

**Q 1. What is advantage of taking registration in GST?**

Ans. Registration under Goods and Service Tax (GST) regime will confer following advantages to the business:

- ☐ Legally recognized as supplier of goods or services.
- ☐ Proper accounting of taxes paid on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business.
- ☐ Legally authorized to collect tax from his purchasers and pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients.

**Q 2. Can a person without GST registration claim ITC and collect tax?**

Ans. No. A person without GST registration can neither collect GST from his customers nor claim any input tax credit of GST paid by him.

**Q 3. What will be the effective date of registration?**

Ans. Where the application for registration has been submitted within thirty days from the date on which the person becomes liable to registration, the effective date of registration shall be date of his liability for registration. 3. Registration Where an application for registration has been submitted by the applicant after thirty days from the date of his becoming liable to registration, the effective date of registration shall be the date of grant of registration. In case of suomoto registration, i.e.

taking registration voluntarily while being within the threshold exemption limit for paying tax, the effective date of registration shall be the date of order of registration.

**Q 4. Who are the persons liable to take a Registration under the Model GST Law?**

Ans. Any supplier who carries on any business at any place in India and whose aggregate turnover exceeds threshold limit as prescribed in a year is liable to get himself registered. However, certain categories of persons mentioned in Schedule III of MGL are liable to be registered irrespective of this threshold. An agriculturist shall not be considered as a taxable person and shall not be liable to take registration. (As per section 9 (1))

**Q 5. What is aggregate turnover?**

Ans. As per section 2 (6) of the MGL, aggregate turnover includes the aggregate value of: (i) all taxable and non-taxable supplies, (ii) exempt supplies, and (iii) exports of goods and/or service of a person having the same PAN.

The above shall be computed on all India basis and excludes taxes charged under the CGST Act, SGST Act and the IGST Act. Aggregate turnover does not include value of supplies on which tax is levied on reverse charge basis, and value of inward supplies.

**Q 6. Which are the cases in which registration is compulsory?**

Ans. As per paragraph 5 in Schedule III of MGL, the following categories of persons shall be required to be registered compulsorily irrespective of the threshold limit:

- a) persons making any inter-State taxable supply;
- b) casual taxable persons;
- c) persons who are required to pay tax under reverse charge;
- d) non-resident taxable persons;
- e) persons who are required to deduct tax under section 37;
- f) persons who supply goods and/or services on behalf of other registered taxable persons whether as an agent or otherwise;
- g) input service distributor;
- h) persons who supply goods and/or services, other than branded services, through electronic commerce operator;
- i) every electronic commerce operator;
- j) an aggregator who supplies services under his brand name or his trade name; and
- k) such other person or class of persons as may be notified by the Central Government or a State Government on the recommendations of the Council.

**Q 7. What is the time limit for taking a Registration under Model GST Law?**

Ans. Any person should take a Registration, within thirty days from the date on which he becomes liable to registration, in such manner and subject to such conditions as may be prescribed.

**Q 8. If a person is operating in different states, with the same PAN number, whether he can operate with a single Registration?**

Ans. No. Every person who is liable to take a Registration will have to get registered separately for each of the States where he has a business operation and is liable to pay GST in terms of Sub-section (1) of Section 19 of Model GST Law.

**Q 9. Whether a person having multiple business verticals in a state can obtain for different registrations?**

Ans. Yes. In terms of Sub-Section (2) of Section 19, a person having multiple business verticals in a State may obtain a separate registration for each business vertical, subject to such conditions as may be prescribed.

**Q 10. Is there a provision for a person to get himself voluntarily registered though he may not be liable to pay GST?**

Ans. Yes. In terms of Sub-section (3) of Section 19, a person, though not liable to be registered under Schedule III, may get himself registered voluntarily, and all provisions of this Act, as are applicable to a registered taxable person, shall apply to such person.

**Q 11. Is possession of a Permanent Account Number (PAN) mandatory for obtaining a Registration?**

Ans. Yes. Every person shall have a Permanent Account Number issued under the Income Tax Act, 1961 (43 of 1961) in order to be eligible for grant of registration under Section 19 of the Model GST Law. However as per section 19 (4A) of MGL, PAN is

not mandatory for a non-resident taxable person who may be granted registration on the basis of any other document as may be prescribed.

**Q 12. Whether the Department through the proper officer, can suo-moto proceed with registration of a Person under this Act?**

Ans. Yes. In terms of sub-section (5) of Section 19, where a person who is liable to be registered under this Act fails to obtain registration, the proper officer may, without prejudice to any action that is, or may be taken under the MGL, or under any other law for the time being in force, proceed to register such person in the manner as may be prescribed.

**Q 13. Whether the proper Officer can reject an Application for Registration?**

Ans. Yes. In terms of sub-section 7 of MGL, the proper officer can reject an application for registration after due verification. However, it is also provided in sub-section 8 of Section 19, the proper officer shall not reject the application for registration or the Unique Identity Number without giving a notice to show cause and without giving the person a reasonable opportunity of being heard.

**Q 14. Whether the Registration granted to any person is permanent?**

Ans. Yes, the registration Certificate once granted is permanent unless surrendered, cancelled, suspended or revoked.

**Q 15. Is it necessary for the UN bodies to get registration under MGL?**

Ans. All UN bodies Consulate or Embassy of foreign countries and any other class of persons so notified would be required to obtain a unique identification number (UIN) from the GST portal. The structure of the said ID would be uniform across the States in conformity with GSTIN structure and the same will be common for the Centre and the States. This UIN will be needed for claiming refund of taxes paid by them and for any other purpose as may be prescribed in the GST Rules.

**Q 16. What is the responsibility of the taxable person supplying to UN bodies?**

Ans. The taxable supplier supplying to these organizations is expected to mention the UIN on the invoices and treat such supplies as supplies to another registered person (B2B) and the invoices of the same will be uploaded by the supplier.

**Q 17. Is it necessary for the Govt. organization to get registration?**

Ans. A unique identification number (ID) would be given by the respective state tax authorities through GST portal to Government authorities / PSUs not making outwards supplies of GST goods (and thus not liable to obtain GST registration) but are making inter-state purchases.

**Q 18. Who is a Casual Taxable Person?**

Ans. Casual Taxable Person has been defined in Section 2 (21) of MGL. It means a person who occasionally undertakes transactions in a taxable territory where he has no fixed place of business.

**Q 19. Who is a Non-resident Taxable Person?**

Ans. A taxable person residing outside India and coming to India to occasionally undertake transaction in the country but has no fixed place of business in India is a non-resident taxable person in terms of Section 2 (69) of the MGL.

**Q 20. What is the validity period of the Registration certificate issued to a Casual Taxable Person and nonResident Taxable person?**

Ans. The certificate of registration issued to a “casual taxable person” or a “non-resident taxable person” shall be valid for a period of ninety days from the effective date of registration. However, the proper officer, at the request of the said taxable person, may extend the validity of the aforesaid period of ninety days by a further period not exceeding ninety days.

**Q 21. Is there any Advance tax to be paid by a Casual Taxable Person and Non-resident Taxable Person at the time of obtaining registration under this Special Category?**

Ans. Yes. While a normal taxable person does not have to make any deposit of money to obtain registration, a casual taxable person or a non-resident taxable person shall, at the time of submission of application for registration under sub-section (1) of section 19, make an advance deposit of tax in an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought. If registration is to be extended beyond the initial period of ninety days, an advance additional amount of tax equivalent to the estimated tax liability is to be deposited for the period for which the extension beyond ninety days is being sought.

**Q 22. Whether Amendments to the Registration Certificate is permissible?**

Ans. Yes. In terms of Section 20, the proper officer may, on the basis of such information furnished either by the registrant or as ascertained by him, approve or reject amendments in the registration particulars in the manner and within such period as may be prescribed. It is to be noted that permission of the proper officer for making amendments will be required for only certain core fields of information, whereas for the other fields, the registrant can himself carry out the amendments.

**Q 23. Whether Cancellation of Registration Certificate is permissible?**

Ans. Yes. Any Registration granted under this Act may be cancelled by the Proper Officer, in circumstances mentioned in Section 21 of the MGL. The proper officer may, either on his own motion or on an application filed, in the prescribed manner, by the registered taxable person or by his legal heirs, in case of death of such person, cancel the registration, in such manner and within such period as may be prescribed.

**Q 24. Whether cancellation of Registration under CGST Act means cancellation under SGST Act also?**

Ans. Yes. The cancellation of registration under one Act (say CGST Act) shall be deemed to be a cancellation of registration under the other Act (i.e. SGST Act). (Section 21 (6))

**Q 25. Can the proper Officer Cancel the Registration on his own?**

Ans. Yes, in certain circumstances specified under section 21(2) of MGL, the proper officer can cancel the registration on his own. Such circumstances include not filing return for a continuous period of six months (for a normal taxable person) or three months (for a compounding taxpayer), and not commencing business within six months from the date of registration. However, before cancelling the registration, the proper officer has to follow the principles of natural justice. (Section 21 (4))

**Q 26. What happens when the registration is obtained by means of wilful mis-statement, fraud or suppression of facts?**

Ans. In such cases, the registration may be cancelled with retrospective effect by the proper officer. Section 21(3).

**Q 27. Is there an option to take centralized registration for services under MGL?**

Ans. No.

**Q 28. If the taxpayer has different business verticals in one state, will he have to obtain separate registration for each such vertical in the state?**

Ans. No. However the taxpayer has the option to register such separate business verticals independently in terms of Section 19(2) of MGL.

**Q 29. Who is an ISD?**

Ans. ISD stands for Input Service Distributor and has been defined under Section 2 (56) of MGL. It is basically an office meant to receive tax invoices towards receipt of input services and further distribute the credit to supplier units proportionately.

**Q 30. Will ISD be required to be separately registered other than the existing taxpayer registration?**

Ans. Yes. The ISD registration is for one office of the taxpayer which will be different from the normal registration.

**Q 31. Can a taxpayer have multiple ISDs?**

Ans. Yes. Different offices of a taxpayer can apply for ISD registration.

**Q 32. What could be the liabilities (in so far as registration is concerned) on transfer of a business?**

Ans. The transferee or the successor shall be liable to be registered with effect from such transfer or succession and he will have to obtain a fresh registration with effect from such date. (Schedule III of MGL).

**Q 33. Whether all assesseees/dealers who are already registered under existing central excise/service tax/ vat laws will have to obtain fresh registration?**

Ans. No. GSTN shall migrate all such assesseees/dealers to the GSTN network and shall issue GSTIN number and password. They will be asked to submit all requisite documents and information required for registration in a prescribed period of time. Failure to do so will result in cancellation of GSTIN number. The service tax assesseees having centralized registration will have to apply afresh in the respective states wherever they have their businesses.

**Q 34. Whether the job worker will have to be compulsorily registered?**

Ans. No. Section 43A of MGL does not prescribe any such condition.

**Q 35. Whether the goods will be permitted to be supplied from the place of business of a job worker?**

Ans. Yes. But only in cases where the job worker is registered or the principal declares the place of business of the job worker as his additional place of business.

**Q 36. At the time of registration will the assessee have to declare all his places of business?**

Ans. Yes. The principal place of business and place of business have been separately defined under section 2(78) & 2(75) of MGL respectively. The taxpayer will have to declare the principal place of business as well as the details of additional places of business in the registration form.

**Q 37. Is there any system to facilitate smaller dealers or dealers having no IT infrastructure?**

Ans. In order to cater to the needs of taxpayers who are not IT savvy, following facilities shall be made available: Tax Return Preparer (TRP): A taxable person may prepare his registration application / returns himself or can approach the TRP for assistance. TRP will prepare the said registration document / return in prescribed format on the basis of the information furnished to him by the taxable person. The legal responsibility of the correctness of information contained in the forms prepared by the TRP will rest with the taxable person only and the TRP shall not be liable for any errors or incorrect information. Facilitation Centre (FC): shall be responsible for the digitization and / or uploading of the forms and documents including summary sheet duly signed by the Authorized Signatory and given to it by the taxable person. After uploading the data on common portal using the ID and Password of FC, a print-out of acknowledgement will be taken and signed by the FC and handed over to the taxable person for his records. The FC will scan and upload the summary sheet duly signed by the Authorized Signatory.

**Q 38. Is there any facility for digital signature in the GSTN registration?**

Ans. Taxpayers would have the option to sign the submitted application using valid digital signatures (if the applicant is required to obtain DSC under any other prevalent law then he will have to submit his registration application using the same). For those who do not have a digital signature, alternative mechanisms will be provided in the GST Rules on Registration.

**Q 39. What will be the time limit for the decision on the online application?**

Ans. If the information and the uploaded documents are found in order, the State and the Central authorities shall approve the application and communicate the approval to the common portal within three common working days. The portal will then automatically generate the Registration Certificate. In case no deficiency is communicated to the applicant by both the tax authorities within three common working days, the registration shall be deemed to have been granted [section 19(9) of MGL] and the portal will automatically generate the Registration Certificate.

**Q 40. What will be the time of response by the applicant if any query is raised in the online application?**

Ans. If during the process of verification, one of the tax authorities raises some query or notices some error, the same shall be communicated to the applicant and to the other tax authority through the GST Common Portal within 3 common working days. The applicant will reply to the query / rectify the error / answer the query within a period informed by the concerned tax authorities (Normally this period would be seven days). On receipt of additional document or clarification, the relevant tax authority will respond within seven common working days.

**Q 41. What is the process of refusal of registration?**

Ans. In case registration is refused, the applicant will be informed about the reasons for such refusal through a speaking order. The applicant shall have the right to appeal against the decision of the Authority. As per sub-section (10) of section 19 of MGL, any rejection of application for registration by one authority (i.e. under the CGST Act / SGST Act) shall be deemed to be a rejection of application for registration by the other tax authority (i.e. under the SGST Act / CGST Act).

**Q 42. Will there be any communication related to the application disposal?**

Ans. The applicant shall be informed of the fact of grant or rejection of his registration application through an e-mail and SMS by the GST common portal. Jurisdictional details would be intimated to the applicant at this stage.

**Q 43. Can the registration certificate be downloaded from the GSTN portal?**

Ans. In case registration is granted, applicant can download the Registration Certificate from the GST common portal. ]

**Meaning and Scope of Supply**

**Q 1. What is the taxable event under GST?**

Ans. The taxable event under GST shall be the supply of goods and / or services made for consideration in the course or furtherance of business. The taxable events under the existing indirect tax laws such as manufacture, sale, or provision of services shall stand subsumed in the taxable event known as 'supply'.

**Q 2. What is the meaning of 'Supply'?**

Ans. The term 'supply' is wide in its import and includes all forms of supply of goods and / or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business. It also includes import of service. The model GST law also provides for including certain transactions made without consideration within the scope of supply.

**Q 3. What is a taxable supply?**

Ans. A 'taxable supply' means a supply of goods and / or services which is chargeable to good and services tax under the GST Act.

**Q 4. What are the necessary elements that constitute supply under MGL?**

Ans. In order to constitute a 'supply', the following elements are required to be satisfied, i.e. -

- (i) supply of goods and / or services;
- (ii) supply is for a consideration;
- (iii) supply is made in the course or furtherance of business;
- (iv) supply is made in the taxable territory;
- (v) supply is a taxable supply; and
- (vi) Supply is made by a taxable person.

**Q 5. Can a transaction in which any one or more of the above criteria is not fulfilled, be still considered as supply under GST?**

Ans. Yes. Under certain circumstances such as importation of service (Section 3(1) (b)) or supplies made without consideration, specified under Schedule-I of MGL, where one or more ingredients specified in answer to question no. 4 are not satisfied, it shall still be treated as supply under GST Law

**Q 6. Importation of Goods is conspicuous by its absence in Section 3. Why?**

Ans. Importation of goods is dealt separately under the Customs Act, 1962, wherein IGST shall be levied as additional duty of customs in addition to basic customs duty.

**Q 7. Are self-supplies taxable under GST?**

Ans. Inter-state self-supplies such as stock transfers will be taxable as a taxable person has to take state wise registration in terms of Schedule 1(5). Such transactions have been made taxable even if there is no consideration. However, intra-state self-supplies are not taxable.

**Q 8. Whether transfer of title and/or possession is necessary for a transaction to constitute supply of goods?**

Ans. Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would be treated as supply of service in terms of Schedule II (1). In some cases, possession may be transferred immediately but titled may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods.

**Q 9. What do you mean by “supply made in the course or furtherance of business”?**

Ans. No definition or test as to whether the activity is in the course or furtherance of business has been specified under the MGL. However, the following business test is normally applied to arrive at a conclusion whether a supply has been made in the course or furtherance of business:

1. Is the activity, a serious undertaking earnestly pursued?
2. Is the activity is pursued with reasonable or recognisable continuity?
3. Is the activity conducted in a regular manner based on sound and recognised business principles?
4. Is the activity predominantly concerned with the making of taxable supply for consideration/ profit motive? The test may ensure that occasional supplies, even if made for consideration, will not be subjected to GST.

**Q 10. An individual buys a car for personal use and after a year sells it to a car dealer. Will the transaction be a supply in terms of MGL? Give reasons for the answer.**

Ans. No, because supply is not made by the individual in the course or furtherance of business. Further, no input tax credit was admissible on such car at the time of its acquisition as it was meant for non-business use.

**Q 11. A dealer of air-conditioners transfers an air conditioner from his stock in trade, for personal use at his residence. Will the transaction constitute a supply?**

Ans Yes. As per Schedule-I (1) business assets put to a private or non-business use without consideration will be treated as supply.

**Q 12. Whether provision of service or goods by a club or association or society to its members will be treated as supply or not?**

Ans. Yes. Provision of facilities by a club, association, society or any such body to its members shall be treated as supply. This is included in the definition of 'business' in section 2(17) of MGL.

**Q 13. What are inter-state supplies and intra-state supplies?**

Ans. Inter-state and intra-state supplies have specifically been defined in Section 3 & 3A of IGST Act respectively. Broadly, where the location of the supplier and the place of supply are in same state it will be intra-state and where it is in different states it will be inter-state supplies.

**Q 14. Whether transfer of right to use goods will be treated as supply of goods or supply of service? Why?**

Ans. Transfer of right to use goods shall be treated as supply of service because there is no transfer of title in such supplies. Such transactions are specifically treated as supply of service in Schedule-II of MGL

**Q 15. Whether Works contracts and Catering services will be treated as supply of goods or supply of services? Why?**

Ans. Works contract and catering services shall be treated as supply of service as specified in Schedule-II of MGL. Q 16. Whether goods supplied on hire purchase basis will be treated as supply of goods or supply of services? Why? Ans. Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date.

### **Time of Supply**

**Q 1. What is time of supply?**

Ans. The time of supply fixes the point when the liability to charge GST arises. It also indicates when a supply is deemed to have been made. The MGL provides separate time of supply for goods and services.

**Q 2. When does the liability to charge GST arise in respect of supply of goods?**

Ans. Section 12 of the MGL provides for time of supply of goods. The time of supply of goods shall be the earliest of the following namely,

- (i) the date on which the goods are removed by the supplier, where the supply of goods require removal; or
- (ii) the date on which the goods are made available where the supply does not require removal; or
- (iii) the date on which the supplier issues invoices with respect to the supply where the above two situations do not apply; or
- (iv) the date on which the recipient shows the receipt of the goods in his books of accounts.

**Q 3. What is time of supply of continuous supply of goods?**

Ans. The time of supply of continuous supply of goods is;

- a) where successive statements of accounts or successive payments are involved, the date of expiry of the period to which such successive statements of accounts or successive payments relate.

- b) where there are no successive statements of account or successive payments involved, the date of issue of the invoice or the date of receipt of payment whichever is earlier.

**Q 4. What is time of supply of goods sent on approval basis?**

Ans. In case of supply on approval basis, the time of supply shall be the time at which it is known whether a supply will take place or six months from the date of supply, whichever is earlier.

**Q 5. Where it is not possible to determine the time of supply in terms of sub-section 2, 3, 5 or 6 of Section 12 or that of Section 13 of MGL, how will time of supply be determined?**

Ans. There is a residual entry in Section 12(7) as well as 13 (7) which say that if periodical return has to be filed, then the due date of filing of such periodical return shall be the time of supply. In other cases, it will be the date on which the CGST/SGST/IGST is paid.

**Q 6. When does the liability to pay GST arise in respect of supply of services?**

Ans. Unlike goods, in the case of services, the time of supply is determined by the fact whether the invoice for supply of services has been issued within the prescribed period or beyond such prescribed period.

**Q 7. What is time of supply of service when invoice is not issued within prescribed period?**

Ans. The time of supply of service in such cases shall be the earliest of the following: (i) date completion of the provision of service; or (ii) the date of receipt of payment.

**Q 8. What is time of supply of service when invoice is issued within prescribed period?**

Ans. The time of supply of service in such cases shall be the earliest of the following: (i) date of issue of invoice; or (ii) the date of receipt of payment.

**Q 9. What does “date of receipt of payment” mean?**

Ans. It is the earliest of the date on which the payment is entered in the books of accounts of the supplier or the date on which the payment is credited to his bank account.

**Q 10. Suppose, invoice is not issued and date of payment or date of completion of provision of service are also not ascertainable, what will be the time of supply?**

Ans. The time of supply shall be the date on which the recipient shows the receipt of services in his books of accounts.

**Q 11. Suppose part advance payment is made or invoice issued is for part payment, whether the time of supply will cover the full supply?**

Ans. No. The supply shall be deemed to have been made to the extent it is covered by the invoice or the part payment.

**Q 12. What is time of supply of service in case of tax payable under reverse charge?**

Ans. The time of supply will be the earliest of the following dates:

- a) date of receipt of services;
- b) date on which payment is made;
- c) date of receipt of invoice;
- d) date of debit in the books of accounts by supplier.

**Q 13. What will be the time of supply in continuous supply of services?**

Ans. The time of supply shall be the due date of payment, if ascertainable from the contract. If not ascertainable, it will be earliest of date of receipt of payment or the date of issue of invoice or completion of event where payment is linked to completion of event.

Q 14. Let's say there was increase in tax rate from 18% to 20% w.e.f. 1.6.2017. What is the tax rate applicable when services provided and invoice issued before change in rate in April 2017, but payment received after change in rate in June 2017?

Ans. The old rate of 18% shall be applicable as services are provided prior to 1.6.2017.

## SALIENT FEATURES OF MOTOR VEHICLES AMENDMENT BILL 2016

The Motor Vehicles (Amendment) Bill 2016, introduced in the Lok Sabha by the Union Minister of Road Transport and Highways, Sri. Nitin Gadkari, on 09.08.2016, seeks to bring about comprehensive changes in the present Motor Vehicles Act. The most important change is about limits on insurer's liability, it will affect all goods transport operators, even car owner and drivers and even two wheelers. We are publishing the salient features of the Bill here :-

### **Limits on insurer's liability**

The proposed amendment seeks to put a cap on the liability to be borne by insurance companies in respect of third party claims. As per the present Act, the liability of the insurer for indemnifying the owner for compensation claims in respect of death or bodily injury arising out of use of motor vehicle is unlimited. In other words, as per present Act, the insurer has to cover the liability incurred in respect of any accident to the extent of actual amount of liability incurred. (See Section 147(2)(a) of present Act). However, the proposed Bill seeks to replace the said provision with an altogether new provision, which puts an upper limit of liability of insurer to an extent of Rs. 10 lakh in respect of death and Rs. 5 lakhs in respect of bodily injury arising out of motor vehicle accident. As per the new provision, the Central Government, by rule-making, is empowered to fix the premium and corresponding liability of the insurer, in consultation with the Insurance Regulatory and Development Authority. The proviso to the proposed new Section 147(2) states that such liability fixed by the Central Government shall not exceed Rs. 10 lakhs in respect of death, and Rs. 5 lakhs in respect of bodily injury.

*This means that the liability fixed on the insurer can be even lesser than Rs. 10 lakhs and Rs. 5 lakhs in case of death or bodily injury, as the case may be. The consequence of this section would be that in compensation claims, the victims will not be able to realize more than Rs. 10 lakhs in case of death, and Rs. 5 lakhs in case of bodily injury from the insurer under third party claim, and will have to realize the excess amount from the owner or driver. This provision will certainly frustrate the social welfare intent of compulsory third party insurance.*

### **Enabling insurer to seek exoneration from liability for non-receipt of premium**

The Bill seeks to make non-receipt of premium one of the specified conditions, which would enable the insurer to seek exoneration from the liability. As per the present law, non-receipt of premium would not amount to breach of a statutory condition. Hence, even if the cheque drawn towards premium was subsequently dishonoured, the insurer was held liable to satisfy the liability towards third party victims (See New India Assurance Co. Ltd. v. Rula AIR 2000 SC 1082 : (2000) 3 SCC 195). The settled law on the point was that once an insurance certificate is issued, then the insurer will have to meet third party claims, notwithstanding the fact that it was entitled to avoid or cancel the policy; although it can later recover the amount from the insured. However, the proposed amendment enables the insurer to avoid the policy on the ground of non-receipt of premium, by virtue of new section as Section 149 2(c)

### **Survival of claim to the estate of claimant after his death**

As per the present law, a claim for personal injury would abate on the death of the claimant, and would not survive to his estate, due to the operation of Section 306 of the Indian Succession Act. (Except in Kerala where due to the operation of Kerala Torts (Miscellaneous) Provisions Act, which enables legal heirs to continue action for personal injury even after expiry of original claimant). The claim would survive to the estate only if death had nexus with the injuries, and only in such cases the legal heirs would be entitled to come on record and continue with the prosecution of the claim. The proposed Bill seeks to remedy that situation, by incorporation of a new sub-section, Section 166(5), with a non-obstante clause which says that the right of a person to claim compensation for injury in an accident shall, upon the death of the person injured, survive to his legal representatives, irrespective of whether the cause of death is relatable to or had any nexus with the injury or not..

### **Hit and Run Scheme**

The compensation payable for victims in 'hit and run' out of the scheme fund under Section 161 has been enhanced to Rs. 2 lakhs in case of death, and Rs. 50,000/- in case of bodily injury, from Rs. 25,000/- and Rs. 12,500/- respectively.

### **Motor Vehicle Accident Fund**

The Bill seeks to introduce a Motor Vehicle Accident Fund under Section 164B, which is to be augmented by a special tax or cess. The Fund is to be utilized for giving immediate relief to victims of motor accidents, and also hit and run cases. The compensation paid out of the fund shall be deductible from the compensation which the victim may get in future from the Tribunal.

### **Stringent Penalties for Road Traffic Violations**

The Bill seeks to enhance the penalties for road traffic violations. What is noteworthy is the provision for imposition of penalty for unauthorized use of vehicles by juveniles, whereby the guardian and owner is made liable for penal action.

### **Protection of Good Samaritans**

The Act defines "good Samaritan" as a person, who in good faith, voluntarily and without expectation of any reward or

compensation renders emergency medical or non-medical care or assistance at the scene of an accident to the victim or transporting such victim to the hospital as per Section 134A. The Act makes provision for protection of Good Samaritans from unnecessary trouble or harassment from civil or criminal proceedings and empowers Central Government to frame Rules for their protections. This provision is incorporated following the directions of the Supreme Court in *Save Live Foundation vs. Union of India* AIR 2016 SC 1617

### **Community Service as punishment**

For causing motor accidents, punishment in the form of 'Community Service' can be imposed. The Act defines “Community Service” as unpaid work which a person is required to perform as a punishment for an offence committed under this Act. It seems a cue has been taken from the judgment of the Supreme Court in *BMW case (State vs. Sanjeev Nanda)* (2012) 8 SCC 450, wherein community service of two years was imposed as an alternate punishment. Although the Bill contains several noteworthy provisions which seek to ensure road safety, the provision seeking to introduce limited liability of insurer is regressive in nature, and can cause a lot of hardship to innocent victims of road traffic accidents. The monsoon session of the Lok Sabha ended on 12.08.2016, and the Bill is still pending on the date, and might be considered in the Winter Session of Parliament.

## **ANALYSIS OF TEXTILE INDUSTRY AND PRESENT SCENARIO AND FUTURE STRATEGIES**

Abstract from Address of Shri Naishadh Parikh, Chairman at the 58th Annual General Meeting (Sept 2016), this speech has good analysis of textile industry and present scenario and future strategies. Hence, we are publishing the same in this issue of Chamber Patrika.

It is my privilege to address you at this very critical juncture for the Indian textile industry. Before I get down to specific changes, opportunities, and challenges for our industry, let me give you a sense of the current global and Indian business environment, and the likely shape of things to come within the next few years (and certainly within the next decade). As you are aware, it has now been almost 8 years (since the collapse of Lehman Brothers in 2008) that the world economy seems to have nearly stalled. Growth, if any, has been anaemic in most of the major developed economies that include the USA, UK, EU, Japan, and Russia. China, while growing significantly, has seen its growth come down to 6–6.5% levels from the 8-9% levels in the 2000's. Further, this growth has not been even in most of these countries with the top-1% (and then the top-10%) of the populations of the developed nations cornering bulk of this low growth. The second big change driver is the aging population in most of the developed nations that, among other implications, does not bode well for the consumption of lifestyle consumer products such as textiles.

This is confirmed by certain article titled “Clothes buying goes out of fashion in the UK” published by Financial Times, London on 24th September 2016. It further emphasises the importance of domestic markets and select markets in emerging economies.

The third big change driver is the incredible impact of various technological changes in our world. Uber, for example, has earlier this month (in September) launched its first (relatively small) fleet of driverless cars in Pittsburgh (USA). The most valuable companies in the world are those who did not exist 2 decades ago such as Amazon, Google, Facebook, Alibaba, and Tencent.

There are others who do not own physical assets such as Airbnb and Uber, and yet are competing with older, most established players such as Starwood Hotels and Hertz. 3D printing is already making its presence beyond rapid prototyping in diverse applications such as human body parts, and aircraft components. Internet of Things (IOT) and Artificial Intelligence (AI) platforms such as Watson from IBM are already making their presence felt in diverse industries that include law, healthcare, and financial services. Indeed, the world now faces the twin threat of low/no growth, and destruction of hundreds of millions of jobs because of automation and AI.

On account of these changes, even Democracy, as we have known since the signing of the Magna Carta in the 13th Century, is no longer able to manage expectations of the masses. Free trade is giving way to protectionism and bilateral trade agreements that attempt to balance the trade balance between various participants. Many countries are now resorting to more frequent interventions through antidumping duties and other tariff/non-tariff barriers.

The rise of terrorism across the planet is creating a new wave of xenophobia in some of the most liberal countries that include France, USA, UK (and its recent Exit decision from EU), and the more recent losses of Angela Merkel's party in Germany where the rising tide of immigrants is making the native masses very nervous. Unfortunately, our world will see more of the

same in the coming years and decades and there are no obvious, simple solutions in sight.

India's economic prospects certainly look far more encouraging, and we should see steady growth and increase in prosperity (and a more equitable distribution thereof) in the coming years. However, India also faces its own plethora of challenges that include a poor education system (in qualitative terms), rise in numbers of unskilled workforce, very poor healthcare system (in terms of access, affordability, and accountability), dysfunctional urban infrastructure, and a democracy which has feudal, family owned enterprises masquerading as regional and national political parties.

Coming to our textile industry, it is, therefore, no surprise that due to some of these factors (and some more), not only the global trade growth in textiles has slowed down appreciably but there are parts of the value chain that are showing negative growth rates such as yarns followed by fabrics. Most of the trade growth is only seen in readymade garments and made ups.

While India has done well in made-ups/garments in recent years, it has lagged behind competitors such as Bangladesh & Vietnam which now boast of apparel exports that are comparable (i.e. Vietnam) or significantly higher (i.e. Bangladesh). While China's textile juggernaut is slowing down, nevertheless China remains the world's giant by far.

*New significant competitors are likely to emerge such as Cambodia and Ethiopia within the next decade.* Most of these new competitors such as Bangladesh and Vietnam are also benefiting substantially from very favourable market access for their textile products in markets such as the USA and the EU. As some of them such as Bangladesh and Vietnam verticalize backwards into spinning/knitting/weaving/ processing, they will pose an even bigger challenge to India.

On a more micro level, there is a very clear and steady trend in change in Fibre-mix. The world is moving to 35:65 in favour of MMF led by new developments and innovations in MMF and processing of MMF fabrics. In contrast with the world trends, India has only marginally moved up from 65:35 Cotton-MMF to 58:42 Cotton-MMF composition of its textile industry. It is an absolute imperative that if Indian textile industry has to grow (both for exports and for domestic market), then Fibre neutrality is an absolute must.

Indian textile industry also suffers from multiple other structural weaknesses. Due to various reasons, most notably an adverse Government policy that was in place from early 1980's, from the time of the Datta Samant led strikes and until as late as late 2000's when garment manufacturing was still reserved for small scale (and multiplicity and irrationality of excise duties on different parts of the fibre - garment value chains), Indian textile industry suffers from a very visible lack of scale at present. There are just a handful of textile (some include garments too) companies that have revenues in the vicinity of a billion US dollars.

A very substantial part of the organized textile industry is characterised by companies whose revenues are in the range of US\$ 100 million – US\$ 250 million, and many are still in the sub-US\$ 100 million revenue range. India's apparel exporters do not fare much better with just a handful of exporters having revenues in excess of US\$ 500 million. A vast majority of apparel manufacturer – exporters are clustered around US\$ 25 – US\$ 75 million size, and the domestic market catering apparel manufacturers are even smaller.

To compound the challenge further, our industry also has the dubious distinction of having amongst the highest NPAs in the country. Beyond the NPA ridden companies, there are many whose balance sheets are highly leveraged and therefore their ability to raise further capital for scaling up is very limited or even non-existent.

India has not created new mega clusters for textiles and apparel, something that China has done very successfully over the last 20 years. The existing clusters such as Tirupur, Salem, Panipat (in addition to Bangalore, NCR etc.) suffer from abominably bad infrastructure that limits their growth potential.

In this environment and with these ground realities, while the Government and various external agencies continue to set very ambitious targets for the growth (both for exports as well as for domestic market) of the overall textile industry, it is very unlikely that any of these targets (export and domestic) will be met unless the industry comes together as a whole without continuing to fragment itself on fibre / region / handloom-powerloom-mills etc. and in the process, sometimes work at cross-purposes with each other. Indeed, the Industry should partner and collaborate instead of take a confrontational attitude.

As far as cotton specifically is concerned, while it is blessed with a free trade regime with few physical or tariff barriers, we have to keep in consideration that cotton (along with rice and sugarcane) is a water intensive crop. Climate change induced changes in weather / water patterns, and government's more recent interventions in increasing the MSP for other crops such as pulses, we can no longer take for granted that Indian government (and Indian farmer) will continue to support the acreage currently under cotton cultivation.

Indian Textile Industry needs to accept the realities and change in dynamics of global textile trade and investment destinations driven by competitiveness and trade preferences. At the same time, it must also acknowledge the increasing domestic market opportunity but with a new vision to create many more Indian clothing and made-ups brands so that the textile and garment manufacturers do not remain merely suppliers to global brands that have entered India (and more will come as the Indian market's attractiveness increases).

If Indian textile and garment manufacturers have to improve their competitiveness and their profitability, many should now think of moving up the value chain and create their own brands. Many should also take advantage of the very rapidly growing e-commerce retail channel which is already seeing a big growth in consumer interest in buying clothing & footwear online.

All of us (including the Government of India) are well aware of the very critical relevance of a successful and growing textiles and garment sector. It directly and indirectly provides much needed employment to tens of millions of Indians (including farmers) and these employment numbers can well cross 100 million in next 5-7 years with the right actions both from the industry as well as the central and state governments. In a time where India's exports are under tremendous pressure, textile sector still offers the promise of giving India's exports a much needed boost. Indian textiles have a long and enviable heritage. It is one of the few products that can be "Made-in-India" for India and rest-of-the-world not only as private labels to local and international brands and retailers, but indeed, as Indian branded goods.

### **CAMBODIA : GARMENT EXPORTS KEEP ADB FORECAST STRONG**

The Asian Development Bank (ADB) is maintaining its predictions for strong economic growth of 7 percent and 7.1 percent this year and next, respectively, largely on the strength of a still robust garment sector.

In an update of its 2016 forecast for Asia released on Tuesday, the ADB, citing Cambodian government figures, said the country's garment exports grew 9.4 percent in value during the first half of this year compared with the same period last year, when first-half exports hit \$3 billion. The solid growth of the sector, one of the country's main economic engines, comes despite steadily rising wages and fears of shrinking profit margins for factories.

The bank also forecast more healthy domestic demand and some recovery for the agriculture sector.

"The outlook for Cambodia's economy, after attaining lower-middle-income status in July, remains robust with exports from the garment and footwear industry rising by 9.4 percent in the first half of this year," ADB country director Samiuela Tukuafu said in a statement.

"While growth in credit to the private sector moderated to 28.1 percent year-on-year in June 2016, it still indicates buoyant domestic demand. Better weather since June, following an extended drought, should help a mild recovery in agriculture."

The bank is also holding steady on its growth forecasts despite higher than expected inflation this year and next due to increases in local food costs and global oil prices.

The positive forecast also comes amid concerns of slipping profit margins in the garment sector and another pending hike in the industry's minimum wage.

In its latest bulletin on Cambodia's garment sector last month, the International Labor Organization said it saw strong growth so far this year. But it warned that investment in the sector could begin to slow if garment worker productivity failed to keep pace with the rising minimum wage, now at \$140 per month.

The government raised the garment workers' minimum wage by \$12 this year and is proposing another raise of more than \$8 for next year.

(Source: Zsombor Peter, The Cambodia Daily, September 28, 2016)

### **जीएसटी पर कार्यशाला**

मेवाड चेम्बर ऑफ कॉमर्स एण्ड इण्डस्ट्री एवं इन्स्टिट्यूट ऑफ कॉस्ट एकाउन्ट्स की अजमेर-भीलवाडा शाखा के संयुक्त तत्वावधान में 16 सितम्बर को प्रातः 9 बजे से आर के कॉलोनी स्थित शगुन फूडकोर्ट में एक कार्यशाला का आयोजन हुआ। कार्यशाला का विषय जीएसटी हेण्ड्स ऑन-ए प्रेक्टिकल अप्रोच रखा गया है।

इन्स्टिट्यूट ऑफ कॉस्ट एकाउन्ट्स की अजमेर-भीलवाडा शाखा की ओर से कार्यशाला में संस्थान ने टेक्सेशन कमेटी के चेयरमैन सीएमए श्री अशोक नवल एवं सीएमए श्री विरेन्द्र शर्मा जीएसटी के विभिन्न बिन्दुओं पर विस्तार से जानकारी दी। कार्यशाला में चेम्बर के सदस्य बड़ी संख्या में उपस्थित थे। चित्तौड़गढ़, आदित्या सीमेन्ट सावा, कांकरोली से भी उद्यमियों ने इस कार्यशाला में भाग लिया।

## MYANMAR : MGMA BACKS GARMENT INDUSTRY TO BOOM WHEN US SANCTIONS ARE LIFTED

Myanmar's leading garment industry body has been buoyed by the lifting of sanctions it hopes will see a return to the glory days for the sector, when in the early 2000s a majority of country's garments were shipped to the US.

Speaking at a manufacturing trade fair in Yangon yesterday, U Myint Soe, chair of the Myanmar Garment Manufacturers Association (MGMA), told The Myanmar Times that the lifting of sanctions is a boon for the fledgling industry, as international garment buyers from the US would have more confidence in doing business with Myanmar, while relieving pressure on financial transactions would also encourage more US trade.

He said that Japan, Europe and South Korea are the leading markets for local garment exports, with the US trailing those countries.

"There has not been a lot sent to the US market in the last year until recently," U Myint Soe said. "The exports to the US are said to be low because of the sanctions." But the industry is confident that is all about to change, U Myint Soe said. In 2001, total garment exports reached US\$817 million, he said, which was the second largest export industry behind oil and gas. At the time, the US market made up about 65 percent of the garments shipped, he said.

"If we can get that kind of market back this time, garment exports will reach up to 3 billion in 2017," U Myint Soe predicted.

The MGMA chief said re-entry into the General System of Preferences (GSP), announced by US President Barack Obama at the same time as the lifting of sanctions, would not return immediate benefits like it does with similar trade preferences in the EU, as garments were not among the list of 5000 products covered by the US GSP.

Increased exports would eventually lead to greater foreign investment into the industry, U Myint Soe added, but poor infrastructure was still a key obstacle to FDI.

Both tax incentives and logistics costs needed greater clarity in order to stimulate investment, he added.

"Especially for local factories, they need support relating to the government's tax regulations or they will be out of business in the next five years," he said.

Speaking at the trade fair, U Thein Naing, director of Baw Ga Mandaing Manufacturing, said increased exports to the world's largest consumer market was a big win for the local industry.

"As the EU's economy is slowing at the moment, the US will become another route for Myanmar's garment sector to take off after the sanctions are lifted," he said.

But more would need to be done to lift standards in the industry if it was to capitalise on opportunities, he said. "I am exporting to Japan at the moment, and sometimes it is very hard to meet their quality standards and I can't get regular orders," he said.

President of textile trade event organiser Messe Frankfurt France, Mr Michael Scherpe, said that the export industry was still dominated by countries like China and Bangladesh, but Myanmar was seeing steady improvements in the sector.

"From 2013 onward, within a very short time, Myanmar has achieved a very good result," he said.

(Source: Su Phyo Win, Myanmar times, September 27, 2016)

## जिला रोजगार कार्यालय की ओर से पंजीयन प्रक्रिया प्रशिक्षण कार्यशाला

जिला रोजगार कार्यालय की ओर से मेवाड चेम्बर ऑफ कॉमर्स एण्ड इण्डस्ट्री के सहयोग से दिनांक 23 सितम्बर 2016 को मेवाड चेम्बर भवन में एक दिवसीय पंजीयन प्रक्रिया प्रशिक्षण कार्यशाला का आयोजन प्रातः 11 बजे से हुआ। राज्य सरकार के निर्देशानुसार नेशनल केरियर पोर्टल पर सभी निजी नियोजकों को पंजीयन करना आवश्यक किया गया है। इसी प्रक्रिया का निजी नियोजकों को प्रशिक्षण देने हेतु आयोजित कार्यशाला में विभागीय अधिकारियों ने प्रशिक्षण दिया। कार्यशाला में 60 से अधिक उद्यमी/प्रतिनिधी उपस्थित थे।

## रक्तदान शिविर

8 सितम्बर 2016 को रंजन उद्योग समूह की ओर से रीको एरिया स्थित रंजन फेब्रिक्स प्रा लि में हर वर्ष की भांति लॉयन्स क्लब, भीलवाड़ा युनाइटेड राउण्ड टेबल एवं भीलवाड़ा युनाइटेड लेडिज सर्किल के सहयोग से विशाल रक्तदान शिविर का आयोजन किया गया। डॉ पी एम बेसवाल ने बताया कि शिविर में उद्यमियों, बेसवाल परिवार, श्रमिकों एवं विभिन्न क्लबों के सदस्यों की ओर 127 यूनिट रक्तदान किया गया। रामस्नेही चिकित्सालय के चिकित्सक दल ने रक्त की जांच की एवं दानदाताओं से रक्त संग्रह किया।



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