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The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry

The story
began in
1917



Shatak Shatak Pragati



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President's Message



It is a moment of pride and joy for all of us!

As we are celebrating our Centenary year, it is time for us to remember all our predecessors, who worked relentlessly for promoting the interests of trade, commerce and industry and their dedication towards the Chamber making it Apex chamber of Commerce and Industry of the State

It is 100 years ago, in 1917, that it was started by 30 members headed by Sri Paramananda Das, as a voice of traders of Deccan region as Deccan (Hyderabad) Chamber of Commerce. It has been a long journey since then. The Chamber of Commerce, is now the Federation of Chambers of Commerce and Industry. It is Apex Chamber in two Telugu Speaking states, Telangana and Andhra Pradesh.

The Federation has grown from strength to strength and with 3000 plus direct members and 160 Associated Chambers and strong Secretariat is now starting its journey into next century. The first step of this journey is on 23rd December in the presence of Shri Pranab Mukharjee, Hon'ble President of India and Shri E.S.L. Narasimhan, Hon'ble Governor of Telangana and Andhra Pradesh as we are celebrating the day as our Annual day onwards.

Let us all join this journey and take our first step into future by pronouncing and rededicating ourselves to "Shatak Shatak Pragathi"!

A quick look across the history shows how FTAPCCI stood the test of times, once in 1956, when Andhra Pradesh State was carved on November 1, 1956. The Hyderabad Chamber was renamed as Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI) and again in 2014, when Andhra Pradesh was bifurcated into two Telugu speaking States, Telangana and Andhra Pradesh.

The Chamber was rechristened as The Federation of Telangana & Andhra Pradesh Chambers of Commerce and Industry.

The Chamber understands that "change is the only constant". FTAPCCI has the unique ability to learn to adapt and become adept at new developments. It has taken a conscious decision to represent both the States with the same strength and dynamism. FTAPCCI steadily, and surely, builds upon its undeniable strength in understanding Grass-root issues of both the states in the domains of Trade, Commerce & Industry.

_____ **Ravindra Modi**



Oil prices soar to 2015 highs after OPEC, other producers reached first deal since 2001
With the deal finally signed after almost a year of arguing within the OPEC, the market's focus will now switch to compliance with the agreement.

Oil prices shot up over 4 per cent to their highest level since 2015 early on Monday after OPEC and other producers over the weekend reached their first deal since 2001 to jointly reduce output in order to rein in oversupply and prop up the market.

Brent crude futures, the international benchmark for oil prices, soared to \$57.89 per barrel in overnight trading between Sunday and Monday, its highest level since July 2015.

U.S. West Texas Intermediate (WTI) crude futures also hit a July 2015 high of \$54.51 a barrel.

Brent and WTI prices eased to \$56.54 and \$53.74 respectively by 0010 GMT, but were both still up more than 4 per cent from their last settlement.

With the deal finally signed after almost a year of arguing within the Organization of the Petroleum Exporting Countries and mistrust in the willingness of non-OPEC Russia to play ball, the market's focus will now switch to

compliance with the agreement.

ANZ bank said on Monday that Saudi Aramco, Saudi Arabia's state-controlled oil company, had "started informing customers that their allocations would be reduced in January 2017, in line with its commitment to the recent OPEC production cut agreement."

OPEC has said it will slash output by 1.2 million barrels per day from Jan. 1, with top exporter Saudi Arabia cutting around 486,000 bpd in a bid to end overproduction that has dogged markets for over two years and pushed the economies of many oil exporting countries into crisis.

On Saturday, producers from outside the 13-country OPEC group agreed to reduce output by 558,000 bpd, short of the initial target of 600,000 bpd but still the largest contribution by non-OPEC ever.

Of that, Russia will cut 300,000 bpd. Russia said its reduction would be gradual, adding that by the end of March Russia would be producing 200,000 bpd less than its October 2016 level of 11.247 million bpd.

Russian output would fall to 10.947 million bpd after six months, it said.

<http://energy.economictimes.indiatimes.com/news/oil-and-gas/oil-prices-soar-to-2015-highs>

Air quality dips back to "severe"

A thick blanket of fog enveloped Delhi and the air quality was in the 'severe' category with an AQI of 402, according to Central Pollution Control Board.

Meteorologists said there could be a marginal improvement Sunday onward as wind patterns changed, but overall particulate pollution levels would continue to be high. Experts said they were waiting for

the Union health ministry's inter-ministerial plan to tackle health impacts of air pollution and the notification of CPCB's graded response plan.

India plans to make most of its share of water under Indus pact with Pakistan

India has set in motion its ambitious plan to utilise its share of water from western tributaries of the Indus, a decision driven by India-Pakistan geopolitics, which may see work begin on a major hydel project on the Chenab early next year. It is a long haul to implement PM Narendra Modi's September 27 decision to review water use within the ambit of the Indus Water Treaty (IWT) with Pakistan, but the government has prioritised three hydel projects on Chenab and its tributary —Sawalkot (1,856 MW), Pakal Dul (1,000 MW) and Bursar (800 MW) —in a time-bound manner.

Building infrastructure on Indus, Chenab, Jhelum and their tributaries is a huge task but the short-listed projects are intended to express India's political will and preparedness to respond to Pakistan's use of terrorism against India with every option at its command including a new preparedness to use all possible leverage points.

"The Centre has constantly been in touch with Jammu & Kashmir government for all necessary ground work. Execution of Sawalkot project is expected to start early next year. The under-construction Pakal Dul project has already received an impetus after the government displayed an urgency to complete it on time,"

said an official.

The Sawalkot project envisages a 193-meter-high dam on Chenab for generating 1,856 MW. It will be constructed in two phases. Since 629 families consisting of 4,400 individuals are likely to be displaced, the state government has been working on a proper rehabilitation plan before actual work begins. The Bursar project will, however, take time before it gets clearances.

<http://energy.economictimes.indiatimes.com/news/renewable>

Note recall likely to make solar energy cheaper in the long run

: Solar industry trackers see demonetisation leading to cheaper solar power in medium to long run although project delays have hit developers in short term. "Demonetisation, though chaotic, is turning out to be an overall positive event for the renewable sector in the long run," said Raj Prabhu, CEO at Mercom Capital Group. "Combined with rapid decline in solar component costs, it will make a lot of projects that quoted low tariffs, feasible.

However, we have to wait and see how government agencies

handle the situation, especially payment issues, going forward." He said demonetisation has helped distribution companies recover pending bills from customers and banks are flush with funds, all of which can relax lending to the power sector and potentially bring down interest rates.'

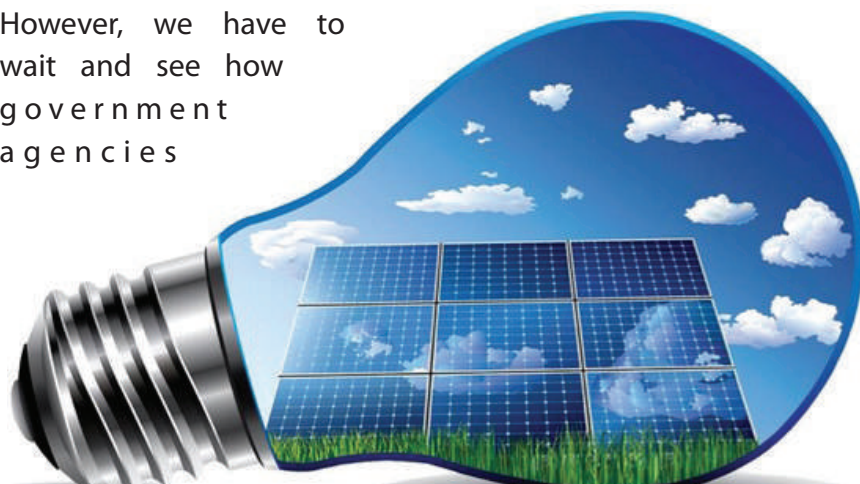
A spokesperson for Hindustan Power Projects, a leading energy player in the country, said demonetisation has led to a situation where the banking system in India will be able to bring down the cost of interest, thereby making the renewable energy target of 175 GW by 2022 a reality. "The solar sector, in particular, could benefit immensely from the initiative in mid term," this person said. An industry executive said solar projects attract bank interest rate of around 11%.

"Projects that quote tariffs below Rs 4.5 per unit, tend to become unviable and do not find favour with bankers. If rates decline and come down



below 10%, these projects would find it easier to procure bank finance and power prices would dip," he said. Experts say as the rate of interest falls, a large number of project developers are likely to quote tariffs below Rs 4.5 per unit, reducing the gap between thermal and solar prices. They said the decision to allow consumers to pay pending utility bills using the demonetised Rs 500 and Rs 1,000 notes will help distribution companies recover dues.

Priyadarshini Sanjay, managing director at Mercom Capital Group, said discoms are expecting substantial inflow of payments till December 31 after which old high-value notes will become invalid. For cash-strapped discoms, this is unexpected good news. But some experts say the drive has slowed down development of solar projects.



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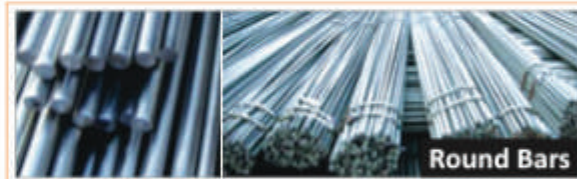
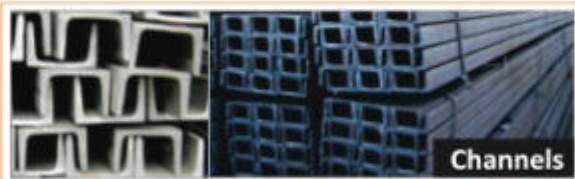
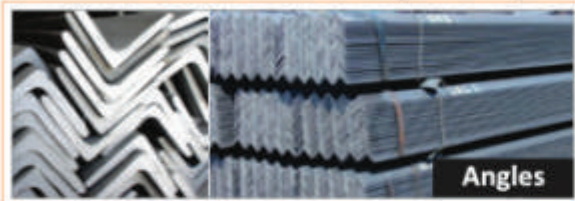
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SC fixes 'offer period' in Sebi rules



The Supreme Court has set aside the ruling of the Securities Appellate Tribunal (SAT) and held that an acquiring company, its directors and associates cannot appoint directors of the target company during the offer period. In this case, Securities &

Exchange Board of India vs Burren Energy India Ltd, the acquisition of an Indian company was done by an English company via entities in Mauritius and California. Two directors were appointed on the board of the target company on the date of the share purchase agreement. The public announcement was made the next day. Sebi found that the appointment of directors during the 'offer period' violated Regulation 22(7) of the Sebi Acquisition of Shares and Take-over Regulations. It imposed a penalty of ₹25 lakh on the acquirers. However, SAT reversed the order on the question when the offer period starts. According to it, the period is one between the date of entering the memorandum of understanding or public announcement and the date of completion of formalities. Reversing the ruling, the Supreme Court declared that the period started from the date of a concluded contract, namely the share purchase agreement.



Auction buyer cannot retract sale:

The Bombay High Court has stated an auction sale of a property of a defaulter cannot be cancelled because the coastal regulations and other restrictions had affected its value. The buyer has an obligation for due diligence probe, especially when the property is sold on "as is where is and as is what is basis". In this case, Asset Reconstruction Co vs Florita Buildcom Ltd, the latter company bought property mortgaged by a firm which defaulted in the repayment of loan. The bank invoked the Securitisation & Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act and auctioned it. However, the buyer later learnt that the property could not be fully enjoyed due to coastal regulations and municipal plan for a recreation ground. So it wanted to cancel the sale though it had paid part of the value. The Debt Recovery Tribunal rejected the request but the appellate tribunal set aside the sale, leading to the petition in the high court by the asset reconstruction company. It held that the appellate tribunal was wrong. The tender document made it abundantly clear that the successful bidder shall be deemed to have bought the property with full knowledge and subject to all municipal and other regulations.

Source: Business Standard, dated 12.12.16

HCs must not review evidence



When a commissioner under the Workman's Compensation Act decides the amount based on the injuries suffered by an employee, the high court should not review the evidence and change the order, the Supreme Court has ruled in Golla Rajanna vs Divisional

Manager. The Act permits only a limited role to the high court and allows it to examine the appeal if it raises "substantial questions of law". In this case, six employees were severely injured in a mishap caused by a truck. They petitioned the commissioner who found that they had suffered disabilities ranging from 35 to 40 per cent, based on medical certificates. The commissioner found that the disabilities had affected their capacity to earn income. Therefore, compensation was awarded based on medical evidence. However, the insurance company appealed to the Andhra Pradesh high court, which drastically reduced the amount. It went into the evidence and commented that "the entire exercise by the petitioners before the commissioner is to create a make-believe situation to show that indeed they had suffered serious injuries." When the victims appealed to the Supreme Court, it restored the order of the commissioner and criticised the high court for not following the principles laid down by the welfare law. The commissioner is the last authority on facts, the judgment asserted, and added that "the high court recorded its own findings on percentage of disability for which there is no basis."



Demonetisation impact: Telangana, Andhra Pradesh compete with each other to go cashless

In these troubled times, the states of Telangana and Andhra Pradesh have seen opportunity. As demonetisation and the subsequent cash crunch hit the country hard, chief ministers of AP and Telangana are vying with each other to become 'digitally enabled', a move being seen as key to insulate themselves politically and beef up their already deficit state economies.

Chief Minister of Telangana K Chandrasekhar Rao (KCR) and N Chandrababu Naidu, Chief Minister of AP are offering themselves up as role model 'Digital CMs' to the Narendra Modi regime and have designed strategies individually.

Naidu launched 'AP Purse' last week, a government sponsored payment platform with 13 mobile banking and 10 mobile wallets. In turn, KCR launched an e-wallet enterprise in collaboration with ICICI Bank. "Why should we oppose demonetisation blindly? If Telangana has to survive, we have to go for cashless transactions to increase our revenue by five

times," said KCR at the Secretariat on 10/12/2016.

Both states are hopeful of enhancing the prospects of central assistance for their mega infrastructure development agenda. Hence the push to leapfrog financial platforms — in an effort to project their states as the choicest destinations for infusion of global investment, technology and project monetisation in the near future.

AP Purse

Launching the new platform AP Purse on 6/12/2016, Naidu said that the government introduced Marpu Nestam (Friend for change), to educate people on digital financial literacy. The government will pay incentives to agents who train people in digital financial literacy.

AP Purse is an app which will provide links to 13 mobile banking and 10 mobile wallets with Aadhaar card to pay bills and purchases to retail traders and vendors in a cashless way. "We will train engineering students to enlighten the traders, vendors and also the common man on use of bank accounts and 'RUpay' cards," he said. He made 90 lakh DW CRA (self-help groups of women) members and 70 lakh beneficiaries of the MGNREGS to open bank accounts in villages.

Naidu, who interacted with bankers and RBI representatives, said that Rs 2,472 crores was available with banks and that they would get another Rs 1,100 crores in December to tide over the cash crunch but emphasised that a cashless regime by 2017 was a stark reality. A document released by the CMO ahead of the launch of AP Purse said that there were only 46,126

(rural) and 60,173 (urban) banking outlets with internet facility, out of a total of 3.83 branches. There were only 10,516 ATMs of which nearly 6,250 were in urban areas. The Naidu government has let loose a blitzkrieg of advertisements in newspapers, Telugu TV channels and radio on use of cards, particularly the RUpay card of Jan Dhan accounts.



Telangana e-wallet and the Siddipet experiment

KCR has introduced the e-wallet in collaboration with ICICI Bank to address grievances of farmers, traders and Jan Dhan account holders.

KCR said that the state was geared to go digital at all levels. To begin with, stamps and registrations, civil supplies, excise and all government payments, including salaries to govt employees, would be on cashless platform of UPIS (Uniform Payment Interface System). "It will not be possible to change people's habits overnight. Cash transactions are part of our life and culture. Initially all transactions above Rs 500 will be cashless.

The Telangana government has introduced a cashless transaction model in Rythu Bazaars (farmer markets) for the benefit of

vegetable vendors in Hyderabad and Siddipet in collaboration with HDFC Bank.

Besides Siddipet, the facility of Aadhaar linking for debit cards has been launched in Gajwel and Warangal market yards as well. "This is a temporary arrangement until the change crisis is resolved and banks' link to markets is completed," says T Harish Rao, state marketing minister.

"Telangana has fewer banks and ATMs than Andhra — 5,212 bank branches and 10,000 ATMs. Hardly one tenth of banks and ATMs are in rural areas and Hyderabad accounts for 90 percent of branches and ATMs. Internet connectivity is very poor and only 60 percent of ATMs function in Hyderabad," said Mohammed Ali Shabbir, Opposition leader in the Telangana Legislative Council. He also termed KCR's claim of achieving cashless regime by 2017 as deceptive since there was only one bank branch to service 10 villages and just 88 lakhs people out of 4-crore population had bank accounts, he said.

The Effect

Opposition criticisms apart, Hyderabad and many towns of Telangana and Andhra Pradesh's Vijayawada and Rajahmundry witnessed public furore with large queues in front of ATMs and banks. "Satrol ho gaya (business has gone kaput)" say wholesale traders.

Many traders say business is down now as they cannot give discounts to retailers — thanks to online payments, they have to pay Goods and Service Tax. According to RBI figures, there are about 13 lakh POS units in Telangana and the demand was for a minimum of 54 lakh.

The decision to go digital immediately by the two states is to get the early bird benefits from the Centre and also to improve their monthly revenues. "If we prove to be enabled for cashless transactions, our credentials in international markets will be benchmarked for big global investments," Naidu told reporters on 10/12/2016 at Vijayawada.

Both these revenue-starved states are willing to go to great lengths in order to increase fund inflow — even at the cost of spending heavily on improving infrastructure and reducing liquidity in the market. While AP claimed that it had lost over Rs 1,300 crores in revenue generation in just one month, Telangana says it lost nearly Rs 800 crores. Both the governments have promised lavish welfare measures and freebies. Coffers cannot be empty for too long. And so the Telugu speaking neighbours have decided to join the Centre's chorus on encouraging cashless transactions.

Source: <http://www.firstpost.com/india/demonetisation-impact-telangana-andhra-pradesh-compete-with-each-other-to-go-cashless-3152174.html>



Idea to invest Rs 100 crore in AP and Telangana for 4G: report

Idea Cellular will invest an additional Rs 100 crore in Andhra Pradesh (AP) and Telangana circles for expanding its 4G and 3G infrastructure

Currently Idea claims to have 21,584 network sites in AP and Telangana wherein 4,348 sites are on 4G. With additional investment the company aims to hit 4,600 4G sites by the end of FY17 taking its total investment in these circles to Rs 1,000 crore.

The network expansion is not limited to these two states. In the month of November 2016, the company's CEO Himanshu Kapania mentioned during an analyst call that Idea will upgrade all of its 17 service areas to 3G and/or 4G by March 2017.

Fund raise and other investments: The company revealed plans to raise Rs 1,500 crore by issuing unsecured redeemable bonds on a private placement basis. This means that the bonds are not open to public but only for private investors. Idea plans to sell non-convertible debentures (NCDs) offering 7.57% interest for a tenure of 5 years.

Source: <http://www.medianama.com/2016/12/223-idea-4g-investment-ap-telangana/>



The story began in 1917

An organisation that represents a hundred years of history, committed to empower trade, commerce and industry. A federation that has diligently shaped and defined the economic ecosystem of the Deccan for ten decades, demonstrating an admirable ability to reinvent itself to suit the needs of its members. This is FTAPCCI. Set up by a group of visionary businessmen led by Sri Paramanand Das of commerce and industry in 1917 to overcome the challenges faced by the fast-growing industry, FTAPCCI has overcome transfers of power, shifting of geographical boundaries and changing priorities over the past century to grow from strength to strength. The story of FTAPCCI is the story of trade, commerce and industry in the Deccan. This is a story of hope, perseverance and unwavering commitment to economic growth.

The story begins in 1917 when FTAPCCI was Hyderabad (Deccan) Chamber of Commerce, that represented the interests of Commerce. The Hyderabad Chamber of Commerce became a strong representative of the business community, initially focusing almost exclusively on trade. In the process, it

laid the foundation for future industrialization in the region. For the next four decades, the Hyderabad Chamber of Commerce engaged with the Government and the tradesmen of Hyderabad.

1956 threw up a major challenge for the organisation. The formation of Andhra Pradesh presented a need to adapt the conduct of business, so that business continuum

would remain unaffected. Now rechristened as FAPCCI (Federation of Andhra Pradesh Chamber of Commerce), the chamber started working at the regional level and shifted its focus to creating opportunities for traders by associating with the Andhra Government to create trade-friendly policies (land allocation, increasing the supply of raw





material and encouraging new trade connections.) Over the next three and a half decades, FAPCCI successfully guided its members through the era of government regulation.

Economies are by nature dynamic and keep redefining the way people and organisations do business. The historic opening up of the economy in 1991, and the adoption of the policies of liberalisation, privatization and globalisation was a dramatic shift in the way



“ FTAPCCI is one of the biggest Federations in the country... with about 3500 direct members, and almost 25000 indirect membership base (through 160+ trade and industrial associations)





the Indian economy functioned. This shift forced businesses to transform themselves to face global competition. FAPCCI now transformed into a hub for international relations, as members were exposed to trade and commerce in various other countries and were given the opportunity to go global. Their sheer commitment and organizational approach led to great export opportunities.



Over the years, through the changing times and understanding of business, FAPCCI surged forward, adapting itself and assisting its members in remodelling their business to suit a dynamic ecosystem. Believing that businesses have a social responsibility, FTAPCCI has, over the decades, vigorously worked towards addressing social issues as well.



2014 saw the next major political challenge – the division of the erstwhile Andhra Pradesh into Telangana and Andhra Pradesh. Rising to the challenge, FAPCCI now, FTAPCCI (Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry), committed itself to represent the business interests of both the states and foster a conducive business environment.



With humble beginnings as a Chamber of Commerce with 31 members, FTAPCCI has now

become a powerhouse with 3000 members with 50-strong secretariat, diversifying to cater to almost every business category. The Federation researches various aspects of trade and commerce, to become a knowledge repository, with valuable information that enables it to advise the state governments in policy formation.



With digitization engulfing our country, FTAPCCI now aims at blending technology to enhance business operations and address issues like Cyber threat, IPR and more that can hinder this transformation. FTAPCCI has always embraced change with open arms because of which it has managed to stand strong over these years.

With a commitment to empower both the Telugu speaking states of Andhra Pradesh and Telangana, with a greater economic and social good, FTAPCCI embarks its further journey with a new vigour: SHATAK SHATAK PRAGATI

“ The documents released by FTAPCCI on Socio Economic Vision for the States of Telangana and Andhra Pradesh were well received by both Telangana & Andhra Pradesh Governments. They were used as base by the new governments for chalking out the respective industrial development plans.



TRUE HAPPINESS

It seems to have been taken for granted that by acquiring certain material resources we can raise the standard of living of human beings. Following this principle, all the countries of the world are set upon acquiring and multiplying their resources. It is no doubt right that a hungry man cannot think of praying. Mahatma Gandhi himself once said that the hungry man sees God only in the form of bread. But even then we should think how far this kind of material prosperity can lead to real happiness.

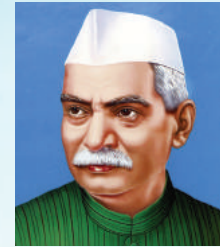
I have also heard that the countries, which are known to be prosperous and resourceful, are not blessed with mental peace, whereas, on the other hand, we find lots of poor people, who excite our pity, leading a happy and contented existence. **The truth is that the source of real happiness is in one's own inner self and not in the outside world. We equate happiness with the world of external things and that is why there is a scramble for acquisition and accumulation of things. The fact is that these things are, at best, no more than the means to achieve happiness and not happiness itself. One can experience happiness even without them.** Apart from this, it is worthwhile considering what is real happiness.

I think real happiness or peace of mind means the complete freedom from extraneous

pressure or restraint or inhibitions. One basic fact, which must be recognized, is that any kind of inhibition or restraint is irksome. It ceases to be irksome only when it becomes something voluntarily accepted or adopted without restraint or coercion. It is this voluntary adoption of any line of thought or action without restraint or coercion from outside which brings real happiness. Any subtraction from complete freedom is loss of freedom to that extent and implies dependence on something else.

Man as a member of society or even as an individual has long ceased to be fully free, if he ever was or can be free. All that can be aimed at or achieved is the reduction or minimization of this restraint or coercion and increasing to the maximum the freedom which man enjoys. His material requirements can be satisfied, it is obvious, only by subjecting himself to some curtailment of this freedom. His mental satisfaction and possibly his spiritual aspiration becomes reduced in quantum and perhaps also in quality by the amount of material satisfaction which in the very nature of things implies restraint. **What is generally termed progress has tended more and more to restrict man's freedom. In every department of life and activity man has to submit more and more to external restraints and inhibitions.**

It follows that there must be



Dr. Rajendra Prasad
First President of India

consequential and proportionate diminution in the mental satisfaction and spiritual endeavor even though man may not feel that restraint or realize the ever-growing restraint being put on him from day to day. It is thus clear that real happiness lies in freedom from restraint, which in turn, implies man's capacity to carry on with as little dependence on others as possible. **We cannot escape from the conclusion that what is generally called high standard of living has served to increase our dependence on others and to that extent has removed us further from real happiness.**

We see in the world of today that distance between country and country has almost been eliminated and nations living far apart from one another



have come closer so that if something happens at one place it has its repercussion far and wide. It does not hold good with regard to only dreadful things like war but also of beneficent activities. One of the results of this progress has been that man is now dependent for his daily necessities of life on far off countries. An example will clarify the point. Many of us present here today have known the days when the railway system in India not expanded to the present extent, when there were no automobiles of any kind and when we had not even heard of the aeroplanes.

At that time also food was as important as it is today.

Then every community depended for its food on itself and on the land, which it cultivated. True, if there was failure of a crop on account of natural calamities like floods or drought, the community suffered. But otherwise it managed to live on what it produced and learnt in course of time the wisdom and the prudence to save food for emergencies. On account of the improvement in the means of transport today food grains can be easily supplied from one part of the

country to another. We saw recently that food had to be dropped by aeroplanes on areas, which were rendered inaccessible, by flood. All this sounds so nice, but we have to see whether these developments have enhanced or restricted our freedom. **My feeling is that by increasing such needs, as he cannot fulfill himself man has necessarily restricted his freedom.**

By giving the example of food imports, I have tried to show our dependence on other countries. That is not all. If far off Argentina, Canada or America has a bumper wheat crop, it results in the falling of wheat prices in India. **Because of the improved means of transport, the availability or otherwise of things does not depend on local conditions** but on the overall world conditions. If food cannot be imported from other countries because of some natural calamity or as a result of the out-break of war, the needy country will have to suffer untold misery. We saw during the last war how even people of neutral countries had to suffer because of the restrictions on export and import of certain articles from overseas. So, there are two aspects of this, progress. One promises plenty during peacetime, the other threatens to release a rich harvest of sufferings and privations in case communications are dislocated on account of hostilities.

It is necessary to remember that even if all of our requirements are satisfied, we are bartering our freedom for that satisfaction.

I think real happiness or peace of mind means the complete freedom from extraneous pressure or restraint or inhibitions.

For instance, whenever there is disease in an epidemic form in the country, we have to depend on other countries to supply us with medicines. Similarly, whenever there is a famine, others can save us from its dire consequences, but at the same time, if they like, they can also starve us by withholding the supply of food grains. If war breaks out today the belligerents need not resort to deadly weapons in order to kill others. They can do it equally effectively by disrupting the system of transport. Therefore, while on the one hand, we are endeavoring to raise the standard of living; those very efforts might result in the curtailing of our freedom and independence.

In spite of this all-round progress we have not yet reached a stage when we could produce an article in sufficient quantity so as to meet the requirements of all the peoples of the world. When we cannot say this about food, which tops the list of man's needs, it is no use talking about other things which are produced in still lesser quantities. That is why the standard of living of all the countries is not uniformly high and presents an unpleasant contrast. Those who possess more are anxious to extort more and more from those who do not possess much. The result is naturally conflict between man and man and country and country. The fear of this conflict has become a nightmare for the



modern man.

It is, therefore, necessary to realize that what we have assumed as axiomatic truth, namely, that increase in material prosperity also means the attainment of happiness, is neither quite correct nor so self-evident. This assumption is true only up to a certain limit and the more we transgress this limit the more remote become our chances of being happy. This limit has to be fixed by man himself. This is undoubtedly beset with countless difficulties, but I do think that it is not altogether impossible for man

to achieve happiness without the usual paraphernalia, which passes for his everyday necessities. This is exactly what is meant by the adage, 'simple living and high thinking'. It was by practising this truth that Mahatma Gandhi could enjoy that happiness which a humble follower of his is unable to have even in the palatial Rashtrapati Bhavan.

I do not suggest that ambition or high aspirations or desire for progress should be discouraged. But let us be sure that our will to progress and rise high will materialize in the true sense only after we have realized that

the source of our happiness does not lie outside us but is enshrined within our own hearts. Our happiness will vary directly in proportion to the degree of our faith in the above truth. The more we try to achieve happiness, basing it on the outside world, the more we shall be inviting conflicts and depriving others of their happiness.

source

<http://www.indiavisitinformation.com/indian-personality/Rajendra-Prasad.shtml>



UN General Assembly Grants Observer Status to International Chamber of Commerce (ICC)

UN General Assembly on December 13 granted Observer Status to the International Chamber of Commerce (ICC) – world's largest business organisation representing more than 6 million Members in over 100 countries including India (www.iccwbo.org). Securing Observer Status will give the world business organization a direct and independent voice in the world's greatest international forum—providing a major “value add” for ICC network and corporate members. ICC India had supported the application of Observer Status of ICC at the United Nations. For information of the Members that FTAPCCI is Member of ICC India, New Delhi

The decision paves the way for ICC a unique platform to advocate and promote the interests of the private sector on a range of global issues—from general commercial standards through to mass migration. ICC views great value in this new designation in the context of the UN's 2030 Development Agenda which places a major focus on the role of business in driving sustainable development. , ICC will be the only business organisation in the world to offer this service to member corporations

This is for the first time that a business organisation has been admitted as an Observer at the UN General Assembly. The decision paves the way for ICC to contribute directly to the work of the General Assembly and reflects the vital role the private sector will play in implementing the UN's 2030 Agenda for Sustainable Development.

National Small Industries Corporation

(A Mini Ratna Government of India Enterprises)

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National Small Industries Corporation Ltd. (NSIC), an ISO 9001: 2008 certified, a Mini Ratna Corporation of Government of India, has been working to promote, aid and foster the growth of Micro, Small & Medium Enterprises (MSMEs) in the country, since its establishment in 1955. With enactment of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, 'medium enterprises' also come into its ambit. NSIC operates through countrywide network of Branch offices and Technical Centres. To manage operations in African countries, NSIC operates from its office in Johannesburg, South Africa. NSIC facilitates MSMEs with a set of specially tailored schemes to enhance their competitiveness. NSIC provides integrated support services under Marketing, Technology, Finance & other Support services.

A. MARKETING SUPPORT

1. Raw Material Assistance

- NSIC, by making tie-up with bulk manufacturers, facilitates MSMEs with uninterrupted supply of raw materials (like Aluminum, Copper, Zinc, Coal and Iron & Steel etc.) at manufacturers' price thus enabling the end product of MSMEs to be cost competitive.

2. Single Point Registration under Government Purchase Program

- Since 1976, DGS&D appointed NSIC as an Agency for Registration of Micro & Small Enterprises (MSEs) under this Scheme.
- 3rd party inspection of the applicant MSE under the Scheme enables its independent capacity assessment in terms of its quality and standards, volume of production and financial capability.
- Benefits to the registered units includes:- Issue of tenders free of cost, Exemption from payment of Earnest Money Deposit and Price preference upto 15% over the quotations of the L1 being a non MSE.

3. Consortia and Tender Marketing

- 'Consortia' of MSEs manufacturing same product formed for building their capacity to supply against bigger orders.
- NSIC participate in tenders of Government Departments / PSUs on behalf of an MSE / Consortia of MSEs. Orders received against such tenders are farmed out to MSEs for execution.
- Raw material assistance / Credit Support also granted to such units.

4. B2C (Business to Consumer) Web Portal for marketing (www.msmeshopping.com)

- NSIC's integrated B2C Web Portal facilitates marketing and retail shopping services and connects MSMEs to millions of buyers globally. This portal has features like:- Online Registration, Web Store Management, Popular Product Section, Multi Product Cart, Customer Support through Call Centre, Competitive Price, Complimentary Membership Subscription and Multiple Payment Options.

5. B2B (Business to Business) Web Portal for marketing (www.msmemart.com)

- NSIC provides an online platform for B2B Marketing activities. This Portal has features like:- Interactive data base of MSMEs, Trust Seal of NSIC, Unlimited Global Trade Leads, Global and National Tender Notices, Multiple Language Support, Popular Product Section, Centralized Mail System Call Centre Support, Self Web Development Tool and Payment Gateway for membership subscription.

6. Marketing Intelligence (www.msmeintelligence.com)

- NSIC has set up a Specialized Marketing Intelligence Cell to collect, maintain and disseminate information about rate contracts, Information on Tenders Floated of bulk buyers like Government / PSUs etc. In addition, database is also maintained of Indian MSMEs and International buyers with products etc.

7. Facilitating Participation in National and International Exhibitions and Buyer – Seller Meets

- NSIC exhibits the products / projects of MSEs in national and International exhibitions.
- Global exposure provided to MSEs and their reach expanded to new Markets.
- MSEs and Large institutional buyers such as Railways / Defence & PSUs etc. brought together by holding Buyer - Seller Meets.
- Vendor Development Programs conducted by bringing together large buyers and MSEs.
- Awareness amongst MSEs created w.r.t. Terms / Quality Standards of bulk buyers by holding Buyer – Seller meets.

B. TECHNOLOGY SUPPORT

- NSIC provides Technology Support to MSMEs through its 8 Technical Centres in areas of Training (which is linked to industry requirements thus facilitating campus placements), Classroom and practical training for skill up-gradation, Material / Equipment testing facilities through accredited laboratories, Common facility services and Energy & Environment audit services etc..

C. CREDIT SUPPORT

- Facilitates credit support to MSMEs for Raw Material procurement and Marketing activities.
- Tie-up arrangements with public and private sector banks to facilitate MSMEs in accessing term and working capital credit, as per their requirement.

D. PERFORMANCE & CREDIT RATING SCHEME

- Facilitates an independent third party Rating of an MSE w.r.t. its performance and credit parameters by any of the empanelled Rating agencies, which enables MSEs in assessing their strengths and weaknesses.
- Government subsidies 75% of the cost of Rating fee up-to maximum of Rs. 40,000/-.
- Good Rating helps MSEs in accessing concessional Credits and procuring orders.

E. INCUBATION FOR NEW SMALL ENTERPRISE ESTABLISHMENT

- Aims at creating self employment opportunities using flexible & cost effective MSE projects.
- Structured Training covering Entrepreneurship Concept, guidance on selection of project(s), Practical training on live projects and guidance on Project Report Preparation, Setting up of Enterprise, Preparation of Fund Proposal to Banks, Starting of Business.
- Turning "Job Seekers" into "Job Providers".

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Arvind Subramanian, Chief economic advisor

Chief Economic Advisor Arvind Subramanian for Bringing land, realty, electricity under GST fold

As the Narendra Modi government wages its biggest war on black money yet, chief economic advisor Arvind Subramanian pitched for including land and real estate under the GST regime to check money laundering and corruption.

Subramanian, who for the finance ministry had authored a report on possible tax rates under the Goods and Services Tax (GST), suggested that the new indirect tax set-up should be clean with simple low rates and should include land and property as well as electricity.

GST, which the government intends to roll out from April 1, 2017, is to subsume central excise, service tax and state VAT among other indirect levies on manufactured goods and services, but property and electricity have so far not been talked about as being part of it.

"I still think we should aspire for simple, clean structure of rates which will have on balance lower and higher rates and that will be a necessary complement to fighting against black money that the Prime Minister has launched with demonetisation (of old 500 and 1,000 rupee notes)," he said. He felt that land and real estate need to be part of the GST.

"Stamp duty (on property registration) is separate and states can retain the right to have stamp duty. The sale of land and immovable property should be part of GST so that input tax credit can flow freely in the system," he said. This, he said, can "keep the system of self-policing" of black money. "So, it is terribly important that land and real estate being part of the GST."

Subramanian said there is need to bring electricity charges that are not done by the states under GST. "I think they should be part of GST and then the input credit can flow and make power more competitive. So, in terms of GST, clean, simple low rates, land, property part of it, power part of it also, will actually be not just important in itself but as a complement to bigger fight against black money and corruption that we embark on,"

Subramanian had recommended a three-tier rate structure for GST, under which some essential goods were to be taxed at a lower rate of 12% and so-called demerit goods such as luxury cars, aerated beverages, pan masala and tobacco products at a higher rate of 40%. All remaining goods were to be taxed at a standard rate of 17-18%.

He had proposed all services to be taxed at the standard rate of 17-18%. The GST Council, however, has finalized a four-tier tax structure - 5, 12, 18 and 28%. "I think we need to focus on some of the things that need to be brought into GST - real estate, power. I think we should not lose sight of this because this comes at a time when we want to eliminate black money and corruption," he said. "Given that real estate and land are obvious sources of black money, this will help our overall sources combating black money."

The sale of land and immovable property should be part of GST so that input tax credit can flow freely in the system



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To
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NPA Management

the Way Forward

B. Yerram Raju *

Banks are unable to manage NPAs. But NPAs are managing the Banks as they dictate the capital requirements for banks to stay in business.

Extending credit facilities is part of essential banking business. Ever since banking reforms commenced and Basel stipulations descended on the banks, global standards have come into position in India. In a developing economy, financial risks arise faster than developed nations. At least in India, the structure of banks determines the perspectives on asset financing. Public sector banks, private sector banks, foreign banks, cooperative banks and NBFCs have varying perspectives on riskiness of assets. Credit origination to monitoring and evaluation has a lot to contribute to such risk perspectives.

When I lent money to a shepherd for raising sheep there was no default; so were the loans given to a person from Udipi to set up a hotel. Money came back to the bank on dot. When I lent money to a poor man for a cycle rikshaw with a repayment of just five rupees a day, there was no default. But when the loan was given to fishermen for a fishing boat or net, money had to be collected when the boat reached jetty lest it got



Banks are unable to manage NPAs. But NPAs are managing the Banks as they dictate the capital requirements for banks to stay in business.



spent away for drinking. Repayment is different from recovery. While the former is voluntary discipline the later is effort-intensive and enforced discipline.

Gopalakrishnan (2005) classified the causes for NPAs into political, economic, social and technological and observed that neglect of

proper credit appraisal, lack of follow-up and supervision, recessionary pressures in economy, change in government policies, infrastructural bottlenecks, and diversion of funds are the major causes of NPAs.

At least 75% of the land in the country today and over 50% of

buildings are all mortgaged to one bank or other either as primary or collateral security. There is a guarantee corporation CGTMSE that guarantees all loans below Rs.10lakhs that are ordained for lending without collateral security. Yet, we find that NPA levels are alarmingly high in Indian Banks compared to their western peers. Even among Indian Banks, PSBs and cooperative banks look northwards in NPAs while the rest look southwards. Where does the shoe pinch most?

Shashidhar M. Lokare's RBI Working Paper (2014) on the subject throws interesting light on the subject: "Anaemic external macroeconomic situation post-crisis, high inflation and dwindling asset prices have eroded the debt servicing capacity of borrowers and contributed to the asset quality problems. Sectoral analysis demonstrates rising incidence of loan defaults in infrastructure, particularly power, retail, SSIs and agriculture, across bank groups."

Non-performing Assets (NPAs) are defined in the RBI lexicon as those advances that fail to generate income for a continuous period of 90 days. It amplifies – where payment of interest or repayment of instalment of principal (in case of term loans) or both remains unpaid for a period of 90days or more. An amount under any of the credit facilities is to be treated as 'past due', when it remains unpaid for 30 days. This norm has a variance when it comes to agricultural advances – failure to repay the loans (both principal and interest or either of them) for two crop seasons would qualify for classification as NPA.

RBI circular on Prudential Norms and Asset Classification says that when an asset becomes out of order and remains so for twelve months, it is sub-standard. Recent circular relating to the MSME sector (FIDD/338 of the 17th March, 2016 followed by the Master Directions subsequently) says that the timelines for restructuring would start once the asset becomes a Special Mention Account (SMA-0). This would mean that the asset becoming sub-standard at this point of time remains so for a period of 12 months from the day it gets into SMA-0. System has been engineered to classify the account the moment it crosses the 90-day irregularity either of principal or interest or both.

A few questions that deserve attention of the regulator are: Has definition got something to do with accumulation of NPAs? What are the rational tolerance limits or thresholds for NPA declaration without dilution to global standards? If some sectors like steel, auto, pharmaceuticals do not perform well due to global factors and cause NPAs across the sizes, are there remedies? Are the risk management standards lax?

It is general observation that with the growth of the economy, credit increases but the NPAs will be low. Though evidence bears out this fact during the pre and post crisis period, it does not appear so during the last

Year	GDP Growth %	Credit Growth %	Gross NPA (%to total advances)
2007-08	9.2*	22.3	2.3
2008-09	6.7*	17.5	2.4
2009-10	7.4*	16.9	2.4
2010-11	8.6*	21.5	2.5
2011-12	9.3*	17.0	2.4
2012-13	4.9**	14.1	2.9
2013-14	6.6**	13.9	3.4
2014-15	7.2**	9.2	5.17
2015-16	7.6**	10.9	5.1

*at factor cost 2005-06 prices; **real GDP at basic prices 2011-12

Source: RBI Bulletins of various issues, Financial Stability Reports and Hand Book of Indian Economy, RBI for various years.

two years of high growth of over 7% in the Indian economy.

Information asymmetry and adverse selection still play their villainous role in credit growth. Banks, particularly those in the public sector, grudgingly implement the directed lending programmes through priority sector dispensation. Banks expect sponsors of these programmes to take care of economics of the schemes and due diligence of beneficiaries. This, in effect, resulted in sacrificing the essentiality of credit risk function – due diligence and therefore, adverse selection has become a concomitant

factor.

Loan origination in the MSME sector has been adversely affected due to major banks, adopting western pattern. The person who markets the loans is different from the one who appraises and the one who monitors and supervises is different from the one who appraises and the one who decides restructuring is different from the one who monitors the account. This layered approach has lit the pier for the MSMEs.

Credit risk enlarged for the MSME sector as a consequence far disproportionate to that in

According to the RBI statistics, the total stressed assets in the Indian commercial banks have risen to 11.5% with the PSBs leading the strain at 14.5% as at the end-March 2016

the other sectors. The other factors are: the banks' reliance still on the balance sheet ratios rather than cash flows as key to determining the working capital limits; and mechanical approach to determining working capital limits up to Rs.100 lakhs on the basis of 20% of annual turnover. Client delinquency has less to blame than the banks' own loan origination practices.

The second factor is monitoring and supervision of advances – the second major function of credit risk management. In the guise of lack of adequate staff, this critical function is sacrificed.

This led to disconnect between the borrower and lender during the course of conduct of the advance. Terms and conditions of sanction of advances have built in risk mitigation measures. But these are not fully explained to the borrowers and even where explained are not followed up.

The banks are happy as long as the accounts do not show up failure of repayment of the loan, inconsequential of whether the physical asset supporting the repayment is functional or not. Stocks against which working capital is granted could be deteriorating either in quantity or quality that surface only when the account turns bad. Till then the stock statements of unsupervised stocks are compatible with drawing power. Banks' internal audit system and high dependence on structured data compared to interaction with the borrower and units' operations has much to blame for this situation.

The third aspect of credit risk management is the sovereign risk. Banks feel that the repayment behaviour is hurt because of loan write-offs in the farm sector, a function that they feel is their prerogative. However, when we look at the sectoral growth of NPAs, the fears of the banks on this score seem unfounded. Advances to Agriculture sector contributed to least NPAs.

Banks need to set aside at least 15% of the loan amount if it turns bad against 0.4% for advances that are still healthy, hurting profitability.

Banks may see NPAs rising 25-30% due to a large portion of restructured loans going bad if there isn't a significant revival in the economy. The stressed assets ratio (gross non-performing assets plus restructured standard advances to gross advances) for the system as a whole rose to 10.9 per cent at the end of March 2015 compared with 10 per cent in March 2014.

According to the RBI statistics, the total stressed assets in the Indian commercial banks have risen to 11.5% with the PSBs leading the strain at 14.5% as at the end-March 2016. Share of large borrowers (above Rs.5cr) remaining steady at 58% had their share in NPAs at 86.4%. It has been noted that asset quality gets impaired with high credit growth. Post crisis (2008), the share of agriculture and MSEs in NPAs declined while for the other retail lending and corporate lending, particularly in the infrastructure sector showed an alarming rise.

The pro-cyclical behaviour of the banking system, wherein asset quality compromised during periods of high credit growth, can result in the creation of NPAs for banks in the later years.

RBI's Working Paper cited above reveals that the growth in NPAs in both priority and non-priority sectors has accelerated since the crisis period of 2008. However, the growth in NPAs of non-priority sector, which averaged at around 32 per cent during the post-crisis period was higher than that of the priority sector (around 22 per cent). Moreover, the growth in the non-priority sector NPAs during

2011-12 was the sharpest in the last one decade (59 per cent as at end-March 2012)

Consistently high interest rates can also lead to adverse selection of borrowers, with only the riskier ones remaining in the credit market, later resulting in NPAs. (Stiglitz and Weiss, 1981) Now that the interest rates are looking southwards, one hopes that the MSMEs will have a breather.

Borrowers face covenant risks as most of them would not have read and understood the clauses in the loan agreements they sign at the time they borrow. In fact, it is not exaggeration to say that not even the credit officers or the branch managers know the covenants in full. They only act on what the systems ordain them to do. Dotted line signatures bind the borrowers when a case goes to courts of law.

Banks indulge in concentration risks – counterparty, geography, and economic activity – through portfolio diversification. The Chief Risk Officers who should be actually working directly under the CEO should have facilitated such diversification keeping in mind the RBI guidelines – 15% of the capital exposure to counterparty and 40% to a group. Of course, there is not much evidence relating to the independence of the Risk Management function directing the Banks' portfolios.

Most of the NPAs of over Rs.5crores attracted bankers' attention for restructuring as it led to comfort in capital provisioning while those below attracted the provisions of SARFAESI Act (2000). The Gross NPA ratio of large borrowers increased sharply from 7% to

10.6% during September 2015 to March 2016. The share of top 100 borrowers in gross NPAs in all large borrowers rose from 3.4% to 22.3% during this period. While only 1.5% of viable MSME advances at the end-March 2015 were considered for restructuring, the total restructured advances grew at 63% in 2011-12.

Following the large scale growth in NPAs of large borrowers and increasingly surfacing of frauds in loan transactions RBI tightened its regulatory sphere in May 2015:

- Concept of a Red Flagged Account (RFA) has been introduced
- An RFA is one where a suspicion of fraudulent activity is thrown up
- Banks to be alert on receiving an early warning signal (EWS)
- Banks must use triggers to launch a detailed probe
- Threshold for EWS and RFA is an exposure of over R50cr
- Lenders to follow up stock market movements, monitor databases on a continuous basis
- All such accounts must be reported on the CRILC data platform
- A consortium meet to be convened within 30 days of fraud detection
- Forensic audit must be completed within three months

A bank can label an account a Red Flagged Account (RFA) if the account is under suspicion of fraudulent activity and such a suspicion is

thrown up by early warning signal (EWS). Banks must use such triggers to launch a detailed investigation, said RBI. All RFAs will have to be reported to the Central Repository of Information on Large Credits (CRILC). RBI has addressed only frauds originating from the borrowers' end. It failed to address the frauds that may have originated at the Bank officers' levels.

Most of the banks invariably have been denying access to the accounts for going concerns and are taking exception to opening the current account with another bank for regular operations like payment of wages to labour and realizing its dues from the debtors, citing RBI instructions. RBI, in spite of repeated representations from the MSME Associations on this issue has been silent. RBI has not been able to put in a tracking system for the procedures it ordained for restructuring and revival of advances thus far.

Although the RBI circular on Wilful Default provides for the borrower to appeal for reviewing decision, not many banks have been implementing this review mechanism. Such review mechanism itself tends to be biased in as much as the bank would not generally like to let down its officials in preference to a borrower's contention. Therefore, such review mechanism should include at least two representatives from other than the same bank and a Chartered Accountant independent of either the statutory audit firm or the designated External Auditors. This review process should be completed within a maximum

period of 15 days of the petition for review by the borrowing firm.

As could be noted from the table above, sustained GDP growth did not result in reduction of NPAs. On the other hand, this period witnessed surge in gross NPAs. Even when the credit growth declined, NPAs started increasing. In respect of large corporate borrowers, failures in the sustainable strategic debt restructuring resulted in the rise of NPAs. While this issue may be addressed by the Bankruptcy Act, in regard to proprietary and partnership MSEs the Bankruptcy Act may provide an indiscrete lever for the banks to proceed against the entrepreneurs. Presently, SARFAESI Act excesses by the Banks with impunity are noticed.

It is widely known that several MSEs are vendors to the large and medium industries, the PSUs and Governments. All these buyers invariably delay payments to the MSEs defaulting on the tenor of the bills. The legal recourse leaves them with the fear of losing their markets. Since Basel norms provide for specific treatment to the SMEs, it will be prudent on the part of the RBI to redefine the NPA for MSEs at the threshold overdue level of 120 days instead of 90 days.

Trade Credit Exchange allowed by the RBI can be functional only when all the PSUs, government departments – both central and states – register on the exchange as buyers and MSMEs register as sellers. As the creator of the concept RBI has responsibility to ensure that it happens by enjoining on the governments to

activate the platform. This would help the MSMEs realise at least 75% of the invoice getting back into cash flows.

Government of Telangana is proposing to set up Industrial Health Clinic with a stakeholder participated, State-led corpus of Rs.100crores as a NBFC to supplement and not supplant the existing lending for MSEs with support in due diligence and engineering responsible and responsive timely consultancy and bridge finance up to Rs.5lakhs at 3% interest rate per annum repayable in 120 days.

The Way Forward

In fine, the way forward for better NPA management rests on the following:

1. Redefine the threshold of overdue account at 120 days instead of 90 days;
2. Make it illegal for the banks to sell the only dwelling house of entrepreneur if the loan sanction is below Rs.10 lakhs as such loans are to be covered by the CGTMSE;
3. All the PSUs, state and union governments should mandatorily register on the Trade Credit Exchange for buying their products from the MSEs;
4. RBI should invariably give the DOs and DON'Ts in a summary sheet for every circular/direction that crosses five pages;
5. Banks should modify their credit delivery for the MSE sector on a single window and online for all loans below Rs.100lakhs;
6. Banks should display the code of discipline for bank lending to MSMEs on all their websites mandatorily.
7. RBI should review the implementation of this code in its inspections and take corrective action in cases of breach.
8. Restructuring and Revival should be subject to strict review to ensure maximum advantage to the MSEs whose ability to argue with banks and fight in courts is minimal.
9. All the State Governments may follow the model of Industrial Health Clinic of the Government of Telangana to prevent and ameliorate sickness in the MSE sector.

*The Author is an economist, risk management specialist and Adviser, MSE Facilitation Council, Government of Telangana. The views are personal.

This is the text of the Address delivered by the author at the Panel Discussion of Business Standard & Federation of Telangana and AP Chamber of Commerce and Industry, Hyderabad on the 8th December, 2016.

Demonetization and the taxation laws (second amendment) bill 2016

Demonetization is a valuable tool in reducing the incidence and role of the parallel cash economy. Apart from reducing the incidence of unaccounted cash in various economic sectors Demonetization places a valuable role in eliminating Terror Funding, Counter Feiting, Illegal trading in Drugs and the Hawala trade. The aim of moving towards a less cash economy particularly in a developing country is laudable. Yet it must be understood that the cash economy constitutes only 6% out of the total 20% of the parallel economy. The Government is aware of this fact and has stated that Demonetization is but one measure to counter the ill effects of the parallel cash economy.

Notwithstanding the above, it is seen that the implementational aspects of demonetization as well as remonetization presents a plethora of challenges. Shortage of currency, various economic sectors being thrown out of gear, the possible fall in the overall GDP and the travails of the common man, present the down side of demonetization. One Economist has proposed that seeking to flush out over 85% of high currency Notes out of the system in a matter of few hours does not auger well for a vast and complex economy with a huge unorganized sector

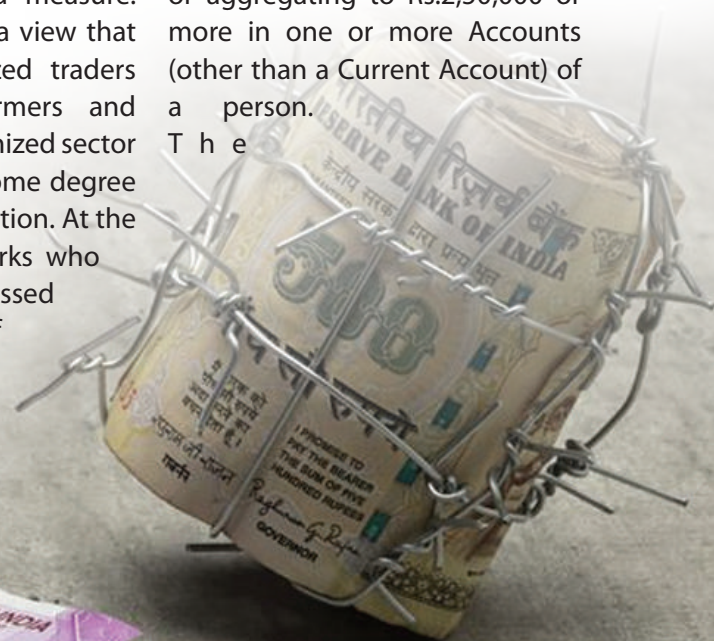
like India. The Economist suggests that the Government would have done well to fix a time span of two or three months for citizens to exchange the old currency for new, during which period it would also be mandatory for citizens to purchase bullion, jewellery or property only through the banking channel. Individuals exchanging currency would have to give their PAN and Aadhar details to enable Government track the sources of deposits. This alternative proposal probably merits an objective appraisal.

There cannot be two views that in the last over fifty years successive Governments did not provide the citizens an enabling environment to be clean in their business dealings. High rates of multiple taxation, bureaucratic corruption and unhealthy competition provided an environment for the parallel economy to grow and flourish and the Indian attitude of 'Chalta hai' was prevalent in good measure. Given this fact there is a view that small and medium sized traders and businessmen, farmers and members of the unorganized sector must be treated with some degree of empathetic consideration. At the same time the big sharks who have hoarded and amassed huge amounts of unaccounted cash

deserve to be dealt with an iron hand.

Prior to the introduction of the Taxation Laws (Second Amendment) Bill 2016, the Government carried out certain amendments to Rule 114B and Rule 114E of the IT Rules. As per the Amendment to Rule 114B every Banking Company and other Institutions, including a Post Office, shall not accept cash deposits of more than Rs.50000 on a single day, or, shall not accept cash deposits aggregating to more than Rs.2,50,000 during the period 09.11.2016 to 30.12.2016, without obtaining the PAN of the depositor. As per the Amendment to Rule 114E every Banking Company or other Institutions as well as the Post Master General shall be required to file an Information Return in respect of cash deposits aggregating to Rs.12,50,000 or more, in one or more Current Account of a person; or aggregating to Rs.2,50,000 or more in one or more Accounts (other than a Current Account) of a person.

The



said Information Return is to be filed by the Bank and other Institutions with the Income Tax Department by the 31.01.2017.

Thus it is to be understood that this Information Return so filed by the Bank or other Institutions shall be the basis for initiation of action by the Income Tax Department into the taxability or otherwise of the deposits made into the Bank or Post Office, by a person. On receipt of a Notice in this regard the concerned person shall have to explain the nature and sources in respect of the deposits made into the Bank or Post Office. In case the explanation proffered by the person is not acceptable, the Income Tax Department shall tax such Income at certain newly notified rates. For this purpose amendments have been carried out to Section 115BBE of the I T Act.

It is to be noted that vide amendment carried out to Section 115BBE of the Act, tax at higher rates including penalty is sought to be levied on Incomes of the nature referred to in Section 68 to 69D of the I T Act. These sections deal with unexplained cash credits, unexplained investments, unexplained bullion, money etc.

The Amendment to Section 115BBE provides that where the Income of the nature referred to in Section 68 to 69D is voluntarily offered to tax by the assessee in the Return of Income filed for the assessment year 2017-18, a total amount calculated at 77.25% of the Income shall have to be paid by the person. In case the person does not disclose such Income the total amount payable by

the person shall be calculated at 83.25%, inclusive of penalty. Where voluntarily declared the amount calculated at 77.25% shall have to be paid on or before 31.03.2016.

The above provisions are certainly harsh. Moreover it is unfortunate that as per the said amendment any Income which is covered u/s 68 to 69D shall witness taxation at 77.25% or 83.25% as the case may be, and not just the ineligible cash deposits made between 09.11.2016 and 30.12.2016. In other words for eg, if a person takes a loan of Rs.25 Lakhs by cheque from another person and is not able to explain the source of such loan amount to the satisfaction of the IT Department, such loan amount if treated as Income shall also be taxed at 83.25%. To reiterate, it is extremely unfortunate that the amendments have been carried out hurriedly and Parliament has not deemed it appropriate to study these amendments carefully and pass the Amendment Bill with fair and just provisions. Professionals are guaranteed of being kept busy in the days to come and avoidable litigation appears to be inevitable.

The Government has also notified the Pradhan Mantri Garib Kalyan Yojana (PMGKY). The declarant under this regime shall be required to pay tax @ 30% of the undisclosed income and penalty @ 10% of the undisclosed income. Further, a surcharge to be called " Pradhan Mantri Garib Kalyan Cess" @ 33% of tax is also proposed to be levied. In addition to tax, surcharge and penalty, the declarant shall have to deposit 25% of undisclosed income in a Deposit Scheme to be notified by the Central Government in consultation with the Reserve Bank of India under the " Pradhan Mantri

“ Amendments have been carried out hurriedly and Parliament has not deemed it appropriate to study these amendments carefully and pass the Amendment Bill with fair and just provisions ”

Garib Kalyan Deposit Scheme, 2016". This amount is proposed to be utilized for programmes of irrigation, housing, toilets, infrastructure, primary education, primary health, livelihood, etc., so that there is justice and equality.

The Government action of demonetization has brought in its wake a plethora of problems, challenges and uncertainties with which the country as a whole has to grapple with. It is said that what one man can do, two can do better. The Government will do well to obtain the advice and views of professional experts in cruising through the current times with care and circumspection.



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Events Galaxy of FTAPCCI

Meeting on Income Declaration Scheme- 2016



FTAPCCI jointly with FICCI Telangana state council organized a Meeting on Income Declaration Scheme- 2016 on 30th July 2016 at 4.30 pm at FTAPCCI Auditorium, Hyderabad.

The Scheme has given opportunity to voluntarily disclose their income and pay the tax of 45% on such income. He further stated that those who declare income under

this scheme need not worry about collateral damage as a source from whom they bought the assets would not be probed. The IT department would not question valuation of the assets and most importantly the data of those who declare income will be kept confidential.

The income tax department's "project insight" which would use techniques like data mining, data analysis and electronic tracking of financial investment and returns of individuals would make tax evasion very tough. The undeclared assets can be declared before September 30, 2016 by paying 25% and balance 25% by March 31, 2017 and remaining 50% by September 30, 2017 in three installments. They will not be any inquiry.

Workshop on Open Access in Telangana and Andhra Pradesh



FOCUS ON CSR: Presenting the Panel Discussion on “Skilling as a CSR Tool”



Yet another interesting initiative undertaken by Federation of Telangana & Andhra Pradesh Chambers of Commerce & Industry (FTAPCCI) in its centenary year, is the one-of-its-kind “Focus on CSR”, comprising a Panel Discussion on “Skilling as a CSR Tool & CSR”, followed by CSR & Taxation on 16th September, 2016 at Federation House, FTAPCCI.

FTAPCCI presented an erudite Panel who shared invaluable insights on how to channel CSR funds in a meaningful as well as productive way, directly fuelling the nation’s growth. One such productive investment could be skilling.

In the Panel Discussion held in Federation House, people explored how the desire to spike industrial growth calls for skilled manpower. To meet the growing demand for skills, we need to find



robust and sustainable way to address the lack of credible certification in skill training. In addition to existing skilling institutes, we now have alternative training models such as promoted-private or public-private partnerships. An interesting way in which to make an organization’s CSR Spend yield greater dividend is to adopt Skilling as a CSR Tool.



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ASSOCHAM - National Conference on 'Draft Model GST Law' Supported by FTAPCCI

ASSOCHAM - National Conference on 'Draft Model GST Law' Supported by FTAPCCI was held on 22nd September 2016 at 10.00am at Vivanta by Taj, Begumpet. to understand the implication of GST in detail as prevailing concepts of manufacturing of Goods/ provision of Services/ sale of Goods will no longer be relevant and common base has to be arrived at for levy and collection of GST in all cases with

determination of taxable jurisdiction and time of supply for levy of GST in respect of supply of goods and services. Further, it is also important to see how seamless flow of GST credit ensured in the draft GST law so as ensure no cascading of taxes and how procedural aspects like Payment of tax, interest, penalty and other amounts; Tax invoice, credit and debit notes; Returns and related compliances; Demands/ recovery; Refund; Transitional provisions, etc., are kept simple and minimal so as to ensure ease of doing business in India.

Model Law Affirms dual GST structure with levy of State GST (SGST) & Central GST (CGST) on intra-state supplies of goods and/or services and Integrated GST (IGST) on imports as well as inter-state supplies of goods and/or services



3-day Training Program on Export Marketing: Procedure & Documentation

FTAPCCI with the support of State Bank of India organized a 3-day Training Program on Export Marketing: Procedure & Documentation from November 24-26, 2016 at FTAPCCI, Hyderabad.

FTAPCCI is continuously working on promotion of exports by conducting series of export awareness programs, apart from interactive meetings with the visiting Foreign Delegates.

The training program is designed to provide an effective introduction to freshers' and an insight into the latest trends among practitioners.



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Awareness Programme on Intellectual Property Rights

FTAPCCI, with the support of the Ministry of MSME, Government of India, organized an “Awareness Programme on Intellectual Property Rights” at FTAPCCIAuditorium, Federation House on 24th September, 2016



The programs conducted at various places in the States of Telangana and Andhra Pradesh aimed at creating awareness of new IPR Policy of Government of India, its importance, and relevance to MSMEs.

The technical sessions covered overview of IPR issues viz. Patents, Trade Marks, Copyrights, Industrial Design and Geographical Indications; MSME schemes such as CGTMSE, CLCSS, ISO 9000/14000 Reimbursement, SSI-MDA, Bar Coding Reimbursement, MSE Cluster Development program, Marketing Support/Assistance to MSMEs, National Campaign for Investment in Intellectual Property and various liberalization and Globalization challenges faced by the MSME Sector and need for a national IPR Programme. patent laws: Procedure for filing patents (domestic and PCT international patent), relevant sections and rules, patent granting procedure, Trademarks Law, its legal administration, objects, functions and benefits of the trademarks as an IPR Tool, registration procedure, and major requirements to register trademarks, Relevance of IPR in the transfer of technology with special reference to MSME Sector and Copy Rights Act and it is one of the important tools of IPR and filing procedures. He also gave a detailed presentation on



Buyer Seller Meet Cum Vendor Development Program

FTAPCCI in association with National Small Industries Corporation (NSIC) and with the support of Vizagapatam Chamber of Commerce and Industry (VCCI) organized a “Buyer Seller Meet Cum Vendor Development Program” on 30th September, 2016 at Hotel Daspalla, Vizag.

The purpose of the public procurement policy is fulfilled only when the CPSUs and PSUs comply with the mandatory procurement of 20% that gives a big boost to the demand for the goods and services of MSEs.

The program aimed to bring the buyers that are PSUs and the Sellers that are MSEs onto one platform and to provide an opportunity to MSEs to understand the requirement of PSUs.



Seminar on “e-Commerce”

The Federation of Telangana and Andhra Pradesh Chamber of Commerce and Industry (FTAPCCI) in collaboration with the Vizagapatam Chamber of Commerce and Industry (VCCI) conducted Seminar on “e-Commerce” on 1st October at Hotel Daspalla, Visakhapatnam.

E-Commerce has emerged as an engine to India’s growth – by fuelling commerce through a dynamic digital platform. The objective of the session is to



provide an insight into all the aspects of an e-Commerce industry to students, entrepreneurs and general public as well creating awareness amongst the Industry, Trade and Commerce.



The major topics dealt were: Importance of localization in E-Commerce; Fulfillment and Logistics & Implications on SMEs; e-Regulations – Tax & Legal implications; for manufacturers Is E-Commerce a Strategy? Or an Additional Distribution Channel? & Transformational role of Fintech in E-Commerce; Contribution of Social Media for E-Commerce and Future Trends; Leveraging 360 degree communication for E-Commerce; How Analytics is changing the E-Commerce; and Crowd funding: How startups and small businesses can benefit

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On the occasion of FTAPCCI Centenary Celebrations
"Shatak Shatak Pragati"

State Level Workshop on “Sustainable Livestock Development and Dairy Management”

State Level Workshop on “Sustainable Livestock Development and Dairy Management” on 9th November, 2016 at Federation House, FTAPCCI, Hyderabad.

Livestock sector apart from contributing to national economy in general and to agricultural economy in particular, also provides employment opportunities to large number of people in rural areas. Hence sustainable development of the livestock sector would lead to more inclusive development and empowerment of women.

Andhra Pradesh and Telangana contributed 9.5% of India’s total milk production in 2014-15, recording highest growth of 6-8% per annum in terms of milk production.

The seminar addressed the challenges faced by dairy farmer community viz. low productivity, high mortality, lack of awareness in cattle management, inefficiencies in handling milk, rising cost of fodder and feed etc to improve Dairy sector in the State.



Sri Suresh Chanda, IAS, Principal Secretary to Government, Dept., of Animal Husbandandary, Govt. of Telangana

Meeting on Demonetisation of Currency- Impact and Precautions

The demonetisation of 500 and 1,000 currency notes was a step taken by Government of India on 8th Nov, 2016, ceasing the usage of all 500 and 1000 notes, to prevent circulation of fake currency notes and also to curb black money in the economy. “One should be in a position to match the cash in hand with income from business operations,” businesses would have barely four months in the current financial year to justify the cash hoard as business income. Alternatively, they should be in a position to establish that the cash was withdrawn for

business purpose. If the amount is unaccounted for, various provisions of Income-Tax Act, 1961, will come into effect. “If the sources of income are unaccounted for, these would be deemed to be current year’s income under Section 69A of the Income-Tax Act, 1961, and will attract income tax at the rate of 30% along with applicable

surcharge and education cess, under Section 115BBE of the Act. The highest marginal rate would work out to around 35%. Further, any unaccounted income would attract penalty under Section 270A of the Act, which can range from 50- 200% of evaded tax. The tax defaulter could also attract prosecution under Section 276C of the Act, with imprisonment from three months to seven years with fine.



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Years

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To
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National Seminar on Goods and Service Tax was held



National Seminar on Goods and Service Tax was held on 19th November, 2016 at Hotel ITC Kakatiya, Begumpet, Hyderabad.

Model GST law and certain business processes like registration, tax payment, refund, filing of return were already released and the Tax slabs of 5%, 8%, 12% and 28% have already finalized. Trade, Industry,

Demonetization.

The methodology adopted by the GST Council for revenue and inflation impact analysis estimated the quantum of cascading taxes to be Rs 3.2 lakh crore (or 36% of the Rs. 8.8 Lakh crore of revenues in 2015-16 to be subsumed under GST) under the current system. With 50% of the consumption basket remaining exempt from tax under the GST Council proposal, cascading taxes will go up marginally to 39% of the total revenues. As a result the positive impact on GDP would be negligible, less than 0.3%.

Service Sector including individuals will have to gear up to this change and ready them for migration into the new system of indirect taxation.

Sri Satya Poddar in his key note address The Goods and Services Tax will sustain the good work of cleaning up the Indian Economy which started with

Seminar on “Cyber Security”

Seminar on “Cyber Security” was conducted on 23rd November, 2016 at 3:00 PM at Federation House, FTAPCCI. Cyber Security is on the path towards gaining increasing prominence as we move towards a technology driven future and ensuring a safe cyberspace is of paramount importance to Telangana, whose growth story is driven primarily by Information and Communication Technology, one of the critical

sectors that rides on and resides in the cyberspace. It is highlighted that coming years will witness an increased threat like cyber terrorism, cyber warfare, cyber espionage etc. It is for us to develop both offensive and defensive cyber security capabilities and a robust cyber security infrastructure so that the impact of these malware can be minimized if not eliminated.



‘Trade and Investment Opportunities in Andhra Pradesh

Roundtable on trade and investment opportunities in Andhra Pradesh concluded on December 2, 2016 with countries pledging their support and commitment to work closely and explore mutual beneficial partnerships with respective countries.

The Consul Generals and their representative of Australia, Malaysia, Russia, Netherlands, Indonesia, Thailand and Bulgaria participated in the round table which was jointly organized by the Andhra Pradesh Economic Development Board, Government of Andhra Pradesh (APEDB) and the Federation of Telangana and Andhra Pradesh Chamber of Commerce and Industry (FTAPCCI).

The inaugural address was delivered by the Chief Guest Shri N. Chinarajappa, Deputy Chief Minister, Home Minister & Disaster Management Minister. He

remarked that “I am delighted to see many countries showing keen interest in the growth story of Andhra Pradesh. Our state stands testimony to stronger partnerships across the world”

“Andhra Pradesh is a ‘strong and reliable friend’ for everyone and we want to build strong, resilient and sustainable partnerships with everybody by collaborating in mutual areas of interest” the Deputy Chief Minister added.

The welcome address by Sri Ravindra Modi reiterated the increasing role of economic diplomacy and

urged trade consulates and high commissions of various countries to mutually collaborate with Andhra Pradesh in trade and development.





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