

# A growth catalyst or an inhibitor?

In the backdrop of the announcement of Union Budget 2012-13, **Prasenjit Chakraborty**, **Mahua Roy** and **Avani Jain** take stock of the sentiments the Budget evoked among industry veterans and their views on its expected outcome.

**Ashish Gharpure**, *Director - Sales and Marketing, Aker Powergas Pvt Ltd*



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The Union Budget announcement of 2012 has largely been a balancing act, given the constraints of the ruling government. There are no specific announcements in the Budget for the chemical/petrochemicals industry. The only welcome move that was announced was to push for

self-sufficiency in urea production. Also, there are no specific incentives in this Budget that would encourage investment in the chemical/petrochemical sector. As the Indian chemical industry grapples with some unique challenges, it would have been a welcome to see a few moves to promote investments in this sector. The idea of PCPIRs or clustered chemical parks should have been given a further budgetary push, which would have boosted the investments.

**Bhupendra Patel**, *Chairman - Gujarat Region, Chemexcil & Managing Director, Jemby Chem Ltd*



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The Budget announced an increase in Excise Duty, which has brought the hopes of the industries down, as this should be nil for promoting the industries. Further, the small- and medium-scale industries will face more difficulties as their turnover is not huge and such an

increase will make the raw materials more costly for them. Also the industries are facing continuous competition from China; in such a scenario this increase will have ill effects on the chemical industry. Thus, the current Budget has not at all met my expectations. The consequences of increase in Excise Duty will leave a bad mark on the present and future of the chemical industry. Moreover, extending more powers to the *Inspection Raj* will create more hurdles for the industry.

**Dr Kishore M Shah**, *President, Indian Speciality Chemical Manufacturers' Association*



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The hike in Excise Duty and Service Tax may temper demand in the economy at a time when India Inc is reeling under the pressure of higher interest rates. Hike in Excise Duty will also push prices up across the board and erode margins. The Finance Minister has also budgeted for low

oil subsidies, which could mean a fuel price hike soon. An advance pricing agreement is good news for MNCs investing in India. Besides, the Budget has announced ₹ 5,000 crore venture fund for micro, small and medium enterprises (MSMEs) with SIDBI to enhance availability of equity to these units. The government has approved a policy that requires ministries and Central PSUs to make a minimum of 20 per cent of their annual purchases from MSMEs. This is a welcome step for MSME.

**Pravin S Herlekar**, *Chairman & Managing Director, Omkar Speciality Chemicals Ltd*



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The Finance Minister could have done much more for the chemicals and pharma intermediaries manufacturing sector. For an industry, which is already reeling under price controls and mounting threat of cheaper intermediaries from China, increase in Service Tax and Excise

Duty are likely to have a rub-off effect on the overall industry. The Budget does not cover any fiscal reforms in the interest of the SME sector. The FM should have maintained a status quo in the taxation regime instead of triggering a hike.

On the other hand, meagre reduction of basic Customs Duty on iodine from 5 per cent to 2.5 per cent is something the industry can cheer about. The move will marginally give fillip to the pharmaceutical sector.

**Rating scale:** 1: Unsatisfactory; 2: Below expectations; 3: Satisfactory; 4: Above expectations; and 5: Significantly exceeds expectations

**Rajesh Aggarwal**, *Managing Director, Insecticides India Ltd***1 2 3 4 5**

The Union Budget 2012 has failed to fulfill the overall expectations of the chemical industry. However, there are certain promising things in this Budget, which will help give a boost to the agrochemical industry. Conversion of 10 million hectare forest land into agri-land with estimate expense of ₹ 46,000 crore is a good move. Providing additional support of ₹ 91,800 crore to enhance

agricultural productivity will boost the agrochemical industry along with the agriculture industry. Credit flow increase in agri-loans from ₹ 1 lakh to ₹ 5.75 lakh crore, besides allocation of ₹ 14,242 crore for accelerated irrigation benefits are positive announcements.

**Rajiv Vastupal**, *Chairman and Managing Director, Rajiv Group***1 2 3 4 5**

The Budget turned out to be a non-event one with no positive or favourable policy announcements. The Excise Duty has been increased to 12 per cent from 10 per cent, while Customs Duty has been left unchanged. But, since India has a robust economy, it will grow, albeit at a slow speed. Investments can be expected partially in dyes & dyes

intermediates to manufacture goods under environment-controlled permission, even though no special export incentives have been given. The government should have announced policies to give a boost to the chemical & petrochemical sector.

**Ravi Kapoor**, *Managing Director, Heubach Colour Pvt Ltd***1 2 3 4 5**

The Union Budget 2012 fails to meet the expectations as nothing has been done for supporting the ailing manufacturing sector during these difficult times. Also, there are no specific announcements for the positive development of the specialty chemical segment in India. There has been reduction in income levels of the corporate entities and also in the industrial output,

as compared to projected estimates. One of the main reasons for this is that investors are wary of making fresh investments. It would have been good if some positive actions were taken in this Budget towards changing the mindset of investors.

**V Gokuldas**, *Managing Director, HRS Process Systems Ltd***1 2 3 4 5**

Proposed pricing and investment policies for urea is a positive step as it will help in reducing India's dependence on imports. Exemption of Customs Duty on fertiliser equipment and machinery till FY 15 will surely encourage new investments in fertiliser sector. Reduction of Customs Duty on organic, inorganic coating materials used for manufacturing electrical

steel from 10 per cent to 5 per cent will benefit the manufacturing companies of electroplating chemicals. Proposed decision to provide subsidy payments of fertiliser to farmers through retailers is an encouraging step for the farmers.

**Vipul Shah**, *President, CEO & Chairman, Dow Chemical International Pvt Ltd***1 2 3 4 5**

While there were no big, specific announcements for the chemical industry, policies announced for infrastructure and manufacturing, which have a significant impact on the chemical industry, and some tax reforms like the introduction of GST will aid in development of the chemical industry and also boost investments. However, announcements regarding zero duty on import of chemicals, which

would have facilitated easy availability and higher import of cheaper feedstock; tax holidays for small- and large-scale players; and self-assessment of imported chemicals would have gone a long way in providing a much-needed incentive to the chemical industry.



**Rating scale:** 1: Unsatisfactory; 2: Below expectations; 3: Satisfactory; 4: Above expectations; and 5: Significantly exceeds expectations