

## Budget 2015: Industry expects a break from the past

27 February 2015 | Features | By Rahul Koul Koul

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In the backdrop of Prime Minister, Mr Narendra Modi's speech at the Indian Science Congress on January, 03, 2015, that he will direct respective ministries to look into the industry's concerns, stakeholders are looking optimistically at the upcoming union budget. The positivity this time also comes from the wordings of PM's speech in which he made it clear that in no way the existing unaccountability shall be tolerated in the Indian science and technology. The statements have come at a stage when the biotech industry has been reeling under tremendous pressure due to stunted growth in the last two years.

Therefore, it is obvious that all eyes will be on Mr Arun Jaitley when he presents the (what is being touted as popular) budget in the Parliament session starting from February 23. Earlier in his address to the industry chambers during pre-budget consultations, the finance minister had told industry leaders that reviving the manufacturing sector, diversifying its base and preparing it for robust long-run expansion was one of the major challenges. He had assured business heads that improving India's ranking in ease of doing business was a priority. In fact, the Federation of Indian Chambers of Commerce and Industry (FICCI) president, Ms Jyotsna Suri has urged the minister to provide "a genuine non-adversarial and conducive tax environment" for the industry and economy to flourish. "There is a revenue target given to tax officers and because they have to attain that, they often make irrational tax demands. They should be judged on their performance and not on achievement of targets," she said.

### Own investments or government's helping hand!

PM Modi in his speech had also advised industries to increase their own investments into research and development to achieve growth. Bioscience industry in its response has welcomed it but with a reminder that only streamlined regulations could help in achieving that.

"I do believe that the PM's speech last month was a landmark one. While lauding Indian scientists for their contribution, he laid down priorities for research in the fields of clean energy, agriculture, biotechnology, agriculture and health care. As a representative of the biotech industry, we found his emphasis on our industry very encouraging, especially in light of it shared as a national priority and an important enabler to nation building," said Mr Ram Kaundinya, director general, Association of Biotechnology Led Enterprises- Agriculture Group (ABLE-AG). He added further,

"For agri-universities, scientists and seed companies, the issue is not merely of increasing investments but of being allowed to carry on research in an unhindered and unencumbered manner. We therefore sincerely hope that the PM's thoughts resonate deeply with and find favour with other policy-makers, both in his government and in the opposition and results in a more conducive ecosystem for the agri-biotech industry."

While financial investments are important, innovation also should be on high priority felt Mr KV Subramaniam, president and CEO, Reliance Life Sciences, "It is imperative for industry to increase its own investments in research. Equally, it is important to access innovation in external organizations through a structured framework. Without innovation, a company in biotechnology will not be able to move up the value chain to meet unmet medical needs; emanating from new therapies for non-curable or difficult to cure ailments and from being very cost-competitive to address the larger market opportunities in the developing world," he said.

Dr Shama Bhat, managing director, Bhat Biotech too fully agrees with the PM Modi's assertion but added that research requires some funding. "I really appreciate the initiatives PM Modi is taking in several fronts. It is important that the advancement of science is very important for the long term growth of any country and India is not an exception. Any developed country in the world today, is so advanced, is because of its investment in Science. It is important that companies also need to be investing in applied research, but for the basic research it has to come from the government."

Terming the PM Modi's speech as visionary, Mr Ravi Dawar, director-finance, BD-India, felt that addressing ground realities like removing bureaucracy for approvals for funding was encouraging. His comment on converging industry and government institutions for investments in research are also in right direction, and will spur research and development activity in India.

Calling the speech encouraging, Mr Subbarao Appemane, senior vice-president, corporate communications and regulatory affairs, Africa and South East Asia, Mahyco, mentioned, "It will boost the confidence of the scientists and the research institutions especially working in the agri-biotech sector. The investment in research and development is also likely to increase."

As per Mr Amol Naikawadi, preventive healthcare specialist and JMD, Indus Health Plus says, "The 100 percent FDI in a separate policy for medical devices is a positive move by the new government. The move will further boost the investment climate in India. Since the government is focusing on prevention ever since their election manifesto was printed, PM and government together are focused towards working on prevention as priority. The sectorial allocation for health needs should be increased from current 1.69 percent of GDP to at least 7 percent of GDP which would be in line with other developing economies of the world.."

Explaining the difference between needs of research based industry and others, Dr Arvind kapur, CEO, Vegetable Seed Division, Rasi Seeds, opined, "Research based industry is already increasing their investments in research but industry is looking to the incentives in taxes to further increase their investments. This year budget will surely have element of optimism for higher investments in innovations and research particularly for Agriculture based industry where the industry is looking forward to Tax incentive for research in new technologies and contribute towards sustainability of food production in India."

#### **Industry's wish list : Empower us to 'Make in India'**

"Customs and import duty for many research and manufacturing items. Now, many imported finished products are free of duty, but the raw materials used for making them in "made in India" need to pay duty. How we can be competitive. All previous budgets were not so encouraging and this time also may be the same. Hope PM Modi's budget will be pro progressive with not only 'Make in India' but pro innovation," Dr Shama Bhat added optimistically.

Mr Ravi Dawar expects it to lay out a clear roadmap for introduction of GST. He adds further,"Also, the finance minister should announce the next set of reforms which will catalyse the GDP growth to the 6 -7 percent level. Further, it should spell

out the specific incentives and actions which will encourage companies to 'Make in India'."

Spelling out his wish list, Dr Ram Kaundinya mentioned, "I believe the government recognises this and also believe that its 'Make-In-India' mission integrates well with the priorities of the Indian biotechnology sector. The Indian agri biotech industry has clearly demonstrated through Bt cotton that technology helps in making the 'Make in India' campaign stronger. The policy makers need to understand that budgetary allocations by itself is not enough - the regulatory ecosystem must be improved and strengthened to allow the scientific community to go the last mile and create new strains of agri-biotechnology crops that sustainably address the issue of food security and farmer incomes. To sum this up, I would say that the Indian agri biotech sector needs more incentives for investment in research and for biotech seed production in India."

Mr Amol Naikawadi mentioned, "Corporates should also be incentivized for their interest in preventive measures for employees. Government should make routine health check - up mandatory from the age of 25 years through healthcare programmes. Need to create personal health records and encourage screening of diseases amongst the population. Make it mandatory for schools and colleges for initiating health programs for early screening, promoting positive health."

Mr Subbarao Appemane said, " Budget this time should provide necessary incentives to the agricultural sector to grow faster. It should encourage investments by private sector. Indian agriculture needs technology for productivity improvement and needs investment in storage and processing infrastructure to increase the share of farmers in the consumer price. With recurring drought situation in various regions of the country, it would be helpful if the government encourage the ongoing research on drought tolerance crops which will not only help in growing crop in less water but will also ensure the farmers are able to sow and harvest crops without depending much on monsoon."

Many like Dr Arvind Kapur felt that previous budget did not recognize the need of changing financial needs and not installed confidence in investors to invest in the future needs of the country. "I hope the coming budget will be forward looking and create new environment for growth and investments," says Dr Kapur

Mr Subramaniam looks at it from a broader perspective. He thinks that broadly stated, with the long overdue emphasis on manufacturing in India, one can expect a focus on enabling manufacturing in the country; with a mix of schemes and incentives spanning research, investments, reducing taxation, lowering infrastructural barriers and competency development. He elaborates, "The systemic costs of setting up and operating manufacturing units in India are significantly high, as also the frustrations and time taken. This is the result of a control-mindset, mistrust and lack of administrative productivity that governance in India has traditionally had. Innovation, across all areas of the economy, has never been at the centre of policy measures and the emphasis has been on balancing books and on fiscal aspects. I would look forward to these aspects being given due attention in the forthcoming budget."

## **Science ignored repeatedly**

The previous budgets in India have not been able to provide much succour to the science and the industries that develop products based on it. Perhaps the reason is that in a populous country with volatile borders, there are other priorities such as defence, transportation and infrastructure which get maximum attention.

Dr Shama Bhat is of the opinion that it is always the social issues that take priority over other issues. "So the budget cuts are always on science, which are not on the priority list for politicians," he said.

Mr Ravi Dawar felt that the GST roadmap and details of roll out need to be given attention in upcoming budget. He opines that since it was a difficult time last year, and the finance minister was only 45 days into the job when he presented the budget, so last year's budget need not be judged for expectations from the upcoming budget. He added, "I am hopeful that we will see increased funding in S&T. Further, with inflation significantly tempered from last year rates, the quantum of funding in real terms will be higher."

According to Mr Subbarao Appemane, "Fifty percent of our population is dependent, needs greater attention to encourage investments. Previous budgets have been only partly addressing these requirements. Any government will have limited resources to allocate and but there would be many priorities to focus on. In its considered wisdom, each government sets its priorities in allocating the available limited resources. Submission from our sector is that given the size of the population engaged in agriculture and the cascading effect that the agricultural growth has on the economy, it should be amongst top

priorities."

Dr Arvind Kapur feels that the reasons are obvious and that most of the innovations are coming from outside. "And the local industry is not investing in research in S&T and health due to higher cost of finances and incentives given for investments in R&D are too meager and carry high risk of failure. If new government gives more funds with low or no interest for research, the innovation will increase in India," he said.

"First and foremost, we are a nation that traditionally has not encouraged scientific inquiry. Our school and university system delivers learning as given, does not provide for experimentation and discourages questioning by pupils," said Mr KV Subramaniam while adding further, "All these undermine the scientific temperament. Over time, the Indian society has placed less emphasis on enterprise and more on employment. Then there are competing priorities in the social sector for limited resources that are available and a 'please all' attitude, which result in spreading resources a mile wide and an inch deep. Patronage thus takes over purpose. The health sector has failed because of serious infirmities in public health and grassroots primary health care efforts."

While the agriculture sector might receive the increased funding, the allocations for scientific agencies will have to be watched closely. Also, the fingers are crossed on the percentage increase from 1.3 to 2 in health budget vis a vis GDP of the country. Whether or not there will be new tax rebates on drug imports and exports too would be eagerly awaited alike. One thing is clear this time. Industry is banking high on the renewed optimism and far from mere promises; it requires some visible encouragement from the government.