FICCI's 87th Annual General Meeting
December 20, 2014, New Delhi

Presidential Address by Mr. Sidharth Birla, President, FICCI

Hon. Sri Arun Jaitley, Minister for Finance, Corporate Affairs,Information & Broadcasting
Dr. Jyotsna Suri, President-Elect, FICCI
Sri Harshavardhan Neotia, Vice-President, FICCI
Dr. A. Didar Singh, Secretary General, FICCI
Excellencies, Members of diplomatic corps, Senior government officials,
FICCI Past Presidents, National Executive Committee members
FICCI members, Friends from business and media, Ladies and Gentlemen

I warmly greet Hon. Sri Arun Jaitley ji, our dynamic Minister. Thank you Sir, for gracing our AGM. We were as excited, when Hon. Sri Narendra Modi ji honored our first National Executive Committee meeting this year, and we outlined our economic agenda.

India requires momentous choices for its inclusive growth and development to achieve its fitting global standing by Amrut Mahotsav in 2022. A resolute Government and an enabled private sector will narrow gaps in our potential vs. performance. Such aspirations are captured in our theme, "Enabling India .. Sabka Saath Sabka Vikaas".

Sir, your statement of "no contradiction in being concurrently pro-poor and pro-business" is progressive and reflects the ethos of our founding fathers who pursued success for progress of the nation. Hon. PM's call Make in India has the eminence of Jai Jawan Jai Kisan of 1965; but I believe its contemporary relevance and far-reaching impact will give it a more profound place in history.

We entered 2014 with problems and continuing negativity. Today, our comfort stems from the Government functioning with a sense of purpose. Energizing an economy slowing for over 2 years is a Herculean task. But we observe an emphasis on doing what's right for India, a bias for action, besides vision, talent and passion to push the envelope on governance and work ethics. Broadly speaking one perceives the leadership is following a 3-pronged strategy of nurturing the economy, enhancing India's global profile and standing, while improving lives of citizens. Some actions yield quantifiable outcomes, others reinforce perceptions, but all must be faithfully pursued.

Experts are in sync with our optimism on foundations laid by government so far; we appreciate that seeds of reform perish when planted on unprepared ground. We expect greater enabling of States, robust Centre-State relations, and await changes in land and labour laws. Congratulations are due for your efforts on Insurance, and progress on GST. We look to post-March 2016, when GST will create a unified market and help transform the economy, especially when levied at a prudent rate, eventually covering all sectors and subsuming local levies.

PMG under the direct oversight of highest levels will help fast-track stalled projects, in turn supporting growth. Revitalizing the economy in a sustainable way needs surmounting deep-rooted legacies, besides resolving current issues. These have widely differing solutions in terms of strategy and speed. We expect timelines and accountabilities assigned suitably for all courses of resolution.

Ease of doing business is crucial. Hon. PM articulated his vision for improving rankings, and enhancing Trust for dealings between institutions and people. Addressing discretion, inspector raj and compliances, besides allowing self-certification and online interactions are excellent beginnings.

Further to a progressive Digital India mission, comprehensive re-engineering of decision-making processes will support governance and delivery. While we advocate progress on ease of doing business, FICCI's opinion is that cost of doing business will be the more critical factor requiring confrontation.

National, sector-agnostic competitiveness to global criteria is central to our growth. Success of Make in India requires Scale, Speed and Skill. To cover this ground, we must evolve solutions to fragmented approaches of the past in basic industries and infrastructure, which obstruct the way of India becoming an industrial powerhouse. Without resolving these we are exposed to significant threats even in our home market and especially from imports.

On the economic front, GDP growth, consumer demand or investment plans do not so far reflect the overall excitement. Growth beyond the anticipated 6-7% levels is needed to fill under-utilized capacities, but this could take time. FICCI believes, to meet our goals, India must touch a double-digit run-rate by 2020 with suitable balance amongst sectors. But action plans may need to be recalibrated in light of rating agencies lowering growth estimates to 5-6% in 2015 and suggestions that future 7-8% levels need deep structural reforms.

Corporate profits improved due to lower input costs and better efficiencies, but with token, disappointing top-line growth; order books don't necessarily convey the complete picture. Analysts see many of the top 500 companies as over-leveraged, with no clear solution visible. Small and medium businesses are in tight spots, having limited resources to fall back on. Therefore, Indian business is not in the pink of health and a recovery time-frame is not certain. Zeal for fresh commitments is inhibited.

This presents the question, are expectations running ahead of realities? FICCI reasoned in May 2014 that tangible outcomes would likely accrue over 6-24 months and suggested a mix of Short Term Hits and Long Term Fixes. So, patience is logical. Still we feel that expectation management by government reinforced with positive sentiments will be judicious at this point. Now is also the time for taking tough calls and showcasing ground-level outcomes!

Despite concerns in some quarters, a holistic review does not show rational cause for anxiety. We have confidence that essential agendas are all on your radar. In the Budget run-up, policies and implementation will multiply confidence. Events over the next 3 months can help shape the following 4-5 years.

Interest in India is extensive. How to convert this into real investments and jobs? Desi commitment is the surest vote of confidence, without which many may stay interested but will not invest. Mergers, acquisitions and investment in soft-sectors, all boost sentiment; but real proof of the pudding in our view lies in re-starting of outlays on brick and mortar assets by domestic business.

FICCI encourages businesses and entrepreneurs to proactively invest in India. In our opinion we need better balance between cultivating domestic investment and inviting FDI. It can be of value for the government to expand and deepen engagement with established and potential Indian enterprises, to address basic problems and any inhibitions.

FICCI communicates India's potential and progress at all relevant platforms. Effectively leveraging presence and views of industry is significant in every country's investment promotion strategy; we feel the impact of our business and government working closely in sync must be strengthened. Sir, we deduce that global enterprises need India, as much as India wants them. In a search for countries offering an attractive mix of growth-potential and geo-political diversity, India could be the appropriate, secure sweet-spot.

Business attractiveness is a necessary, but not sufficient condition for any investment destination; systemic trust is critical for undertaking risk. Sadly, signals from India blurred certainties of executive decisions and government approvals. Implicit peril of litigation cannot allow good faith decision-making to be derailed. Open-ended re-evaluation not only jeopardizes trust but also creates reputational risk, both at home and abroad. We are confident that our proactive and strong government can move quickly to resolve all concerns. We also suggest statutes of limitation as one balanced safeguard for future.

On corporate law, procedural improvement has begun; we suggest core law provisions also be tackled, particularly intrusive obligations impacting Board effectiveness. Can we moderate an excess bias for governance and inspire more of proactive management? Paradoxes exist; regulations ensure broad-basing of Board powers, but the establishment elsewhere asserts that a Chairman “represents the directing mind and will of a company and its acts are attributed and imputed to him”. Such contradiction has unwanted ramifications.

Protection for minority is healthy when it addresses transactions that are clearly abusive. The protection loses merit if even in other matters, minority can dominate majority just through their rights but without accountability. Majority and management both have responsibilities to stakeholders, which may sometimes not be fully appreciated, so excess independent intervention gets imposed. Are we overemphasizing ideas shaped by investor activism or those cloned from areas with different compulsions? We believe objective introspection on all sides and a re-visit is called for.

Sir, contrary to opinions, promoters in general do not seek Riskless Capitalism. If a promoter is proven irregular, such chaff in the wheat must be penalized but the regulatory system must not stifle promoters as a class.

On many issues, environment being key to evaluate a developing economy through the lens of a developed one, or of activists, is prejudicial. We need to support our priorities with a balanced approach and allow contemporary India - with factories, urban complexes and malls - and ageless Bharat - spread across our country - to progress in sync and harmony.

Large parts of population have moved up from abject poverty. Ability to earn or spend money cannot alone promote quality of life, until goods and services become sufficiently available, also at prices in sensible ratios to incomes. Sanitation, health, financial inclusion and education fortify standards of living. We hail conversion of such initiatives into open public movements, with which FICCI members also actively engage.

Sir, in the interest of time I am not touching habitual topics like inflation, fiscal and CAD matters, interest rates or NPAs.

We welcome proposed dispute resolution units for transfer pricing. We are delighted with recent verdicts on non-taxability of capital; we await finality, while requesting aligned laws for domestic capital. I also suggest open-minded consideration of 2 well-intentioned requests:

- Moderating of MAT from levels which now confound its rationale; and
- Allowing set-off in taxes on dividend distribution from non-subsidiaries, or this could be a self-goal in a capital-scarce economy

Mature jurisdictions must welcome virtuous standards on tax and black money. We believe the real ability exists for many to pay direct taxes that are their due. Prospects of increased revenues without revisiting existing taxpayers do exist. Let us use global learnings on eliminating motivation for illegal monies and ensuring systemic clarity on divergence between tax evasion and mitigation.

Sir, before ending I acknowledge the privilege of serving FICCI as President, in dynamic times, of working with 2 governments, and in receiving warmth from all leaders. It is a rare honour to be a 4th generation direct descendant, in 83 years, to serve as President. I am grateful for the faith of my seniors and colleagues. I treasure the patience and support of my wife and family, in my 3 years as office bearer. I could not have discharged my obligations without incredible support from Jyotsna Suri ji, Harsh Neotia, Dr. Didar Singh and FICCI's Secretariat; I thank them all and wish them success.

Hon. Sri Jaitley ji, before you address us, my profuse thanks for being here; it is my belief and hope you will grace FICCI, and our inaugurals for a very long time. I close with my feelings - with apologies to Charles Dickens - it is the Epoch of Belief, it is the Season of Light and it is the Spring of Hope.

Thank You