

# 'Services, agri slowdown, a concern'

Setbacks in agriculture can have cascading effect on inflation, says Assocham

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NEW DELHI

While the rebound in GDP growth in the second quarter can act as a 'confidence booster' for the economy, the slowdown in the services sector, including finance, transport and hotels, as well as in agriculture is cause for concern, according to industry bodies and consultants.

Ranen Banerjee, partner (public finance and economics), PwC India, said in a statement, "the GDP numbers for Q2 are not surprising and it is on expected lines given the re-stocking in manufacturing that has taken place in this quarter post the GST roll out.

"We are, however, still experiencing slowdown in the services sector including fi-



nance, transport and hotels."

## GST effect on services

Possible causes for the slowdown include the larger working capital requirements faced by the services sector (especially export-oriented ones) and teething process issues post-GST implementation, he said. "We also possibly need to exa-

mine whether the 3 percentage point increase in tax rate on services – from an effective 15% pre-GST to 18% under GST – is causing some demand side impact. We will need to wait for Q3 and Q4 GDP numbers to be able to comment on this more conclusively," he added.

Assocham secretary general D.S. Rawat said, "... agriculture remains an area of concern with a mere 1.7% in the second quarter against 2.3% in the previous quarter. Setbacks in the agri performance can have a cascading impact on consumer inflation." Chandrajit Banerjee, director general, CII, said, "The rebound in GDP growth to 6.3%, after the uninspiring performance of the previous quarter is notewor-

thy and a great confidence booster."

"What is encouraging is that manufacturing has emerged as a key driver of growth indicating that firms have started restocking and recovery is taking shape. Gross fixed capital formation has also picked up from last year's lacklustre pace," he said.

Pankaj Patel, president, FICCI, said, "The monetary policy announcement next week will be a perfect timing to give another shot to boost the sentiment. Also, the government should look at further consolidating its reform agenda in the Union Budget to be announced two months from now to give further boost to investment."

# Expect growth to improve: Industry

● **AGENCIES**/New Delhi

With India's growth improving to 6.3 per cent in the July-September quarter, industry bodies on Thursday said the economy is on a solid recovery path and may fare better in the second-half of the 2017-18 fiscal as businesses adjust to the goods and services tax (GST).

"The rebound in GDP growth to 6.3 per cent, after the uninspiring performance of the previous quarter, is noteworthy and a great confidence booster," said CII Director General Chandrajit Banerjee.

"The revival of the GDP growth print reinforces the perception that the economy is in a robust recovery phase and the short-term disruptions caused by demonetisation and GST are behind us."

He said that he is opti-

mistic that the economic performance will be better in the second-half as companies move to execute projects because of improved demand.

"The 6.3 per cent growth in GDP for the second quarter comes as a big relief to India Inc against the backdrop of quite subdued performance of the previous quarter even if the economic expansion is yet to recover its robustness," said Assocham Secretary General D S Rawat.

"Manufacturing has emerged as the bright spot at 7 per cent, but agriculture remains an area of concern with a mere 1.7 per cent (expansion) in the second quarter against 2.3 per cent in the previous quarter.

Setbacks in the agri performance can have a cascading impact on consumer inflation," he added.

## 'Make hydro-power GST on par with other renewables'

NEW DELHI: Industry body Assocham has urged the Centre to fix Goods and Services Tax (GST) rate for hydropower at par with wind and solar so that value added cost and tax commensurate for all renewable power projects.

"Hydro projects attract 18 per cent GST for equipment and 28 per cent for cement while the same for solar is made five per cent Engineering, Procurement and Construction (EPC) which has a glaring additional cost impact on power produced from hydro projects," noted an Assocham paper titled 'Need for Hydropower in India Industry Submission'.

It also said EPC contracts for hydro should be categorised under five per cent GST.

Currently, electricity at the consumer end or at discom end does not attract any GST and therefore the last leg of consumption of GST is with the generator. The paper was released by Power Minister R K Singh at an 'Assocham Round Table Discussion on Hydro Power in India', here last evening.

Assuring the hydro industry players of looking into the demands of the sector, Singh informed that the Centre's hydro policy was in final stage which would be sent for Cabinet approval within a fortnight.

The paper suggested that transmission charges for hydro projects should be energy based. It said solar and wind get free wheeling for approximately 20 per cent plant load factor (PLF) while hydro proj-

ects have to pay transmission charges based on capacity.

It also recommended that states should waive free power requirement as that would reduce hydro tariff in initial years and make it more viable and competitive.

Besides, the note said hydro projects should be awarded on build, operate and own (BOO) basis for private sector instead on the basis of build own operate and transfer (BOOT).

Further, the paper suggested for payment security as given to solar projects to be extended to hydro which also requires firm power purchase agreement (PPA).

Though the hydro projects lead to development of remote locations and build a lot of social/enabling infrastructure around them, it burdens the project while same is not with other renewable generation, the paper noted.

"Thus social/enabling infrastructure cost should be funded by Hydro Development Fund or National Clean Energy Fund (NCEF) as defined in proposal to Expenditure Finance Committee (EFC) thereby limiting it to indicative list of projects in that proposal," the paper said.

The paper also stressed that an online, time-bound single window approval and clearance should be the mandate for developing hydro power sector and the same may be recommended to all states.

"This will facilitate transparency, accountability, efficiency and significantly improve ease of doing business," it said. PFI

## Govt urged to fix GST rates for hydropower at par with wind/solar power

NEW DELHI, Nov 30:

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