

# Imports of electric fan are expected to reduce further: Rakesh Khanna

Budget should take steps to improve the quality of life in rural India & give boost to economy

Rakesh Khanna  
January 20, 2017 Last Updated at 15:08 IST



Rakesh Khanna, CEO, Orient Electric

The cash crunch caused by demonetisation has without doubt slowed down the economy for a brief period but we do hope that the demand will bounce back in last quarter of FY 2016-17. We are already seeing some benefits like lowering of interest rates. The recent announcement of subsidising interest for affordable housing is likely to boost demand in this category, which can have a positive rippling effect on related industries like electric goods, cement etc. which depend on growth in housing sector.

## ALSO READ

[Orient Electric plans to set up manufacturing facility in South](#)

[Orient Paper surges on board nod for rights issue, demerger of consumer electric biz](#)

[Shanghai Electric to buy \\$1.77 billion stake in Pakistani power company](#)

[Vandana Gumber: Are we serious about e-cars?](#)

[Mahindra Electric awaits GST nod to start pan-India sales](#)

Monsoon and agricultural output has been up to the expectation and the rabi season output is also aligned to expectation, which is a good sign of generating rural demand. Weather which is an important factor for the sector is also expected to be favourable in the coming season.

## Robust tax system

Government's move of demonetising has been very bold and disruptive. We are aware that demonetisation is just one of the steps and unless it is supported with many more measures to improve digital transactions, improve transparency and encourage tax payment, the benefits of

demonetisation will be short lived. We do hope that government will announce more benefits for the honest taxpayers and also announce higher spends to boost growth at grass root level. A robust tax policy including tax incentives and exemptions to promote the cashless and electronic payments may prove to be a milestone in achieving this vision. A corporate tax rate from 30 percent to 25 percent will not only lure foreign investment but will also fuel the consumption-driven demand in the country.

## Incentivising manufacturing

The forthcoming budget will also be interesting on how the government plans to infuse growth and optimism while increasing employment in the sector. Though inflation seems to be abating but on the flipside input costs specially metals and fuel costs are gradually rising which is putting pressure on input costs. Q3 & Q4 results will have an impact of demonetization, however we do not see signs of demand contracting going forward.

Government should focus on tax reforms. While there have been tax incentives to small scale manufacturing in 2016, medium & large scale manufacturing also needs to be supported to realise the vision of Make in India program. Simplification of various laws and easing of various regulations especially for business expansion, land acquisition etc, are also larger issues that affects the manufacturing sector. For certain many of these measures put together will benefit the organised sector, enhance quality and make manufacturing globally competitive.

In electric fan market, over the years, we have witnessed that Indian manufacturers are becoming globally competitive. The cost difference between Chinese players and Indian brands have come down from 35 percent to 15-20 percent due to hardening of Chinese currency and increase in input costs in China. Government had levied 10 percent import duty which has helped to reduce imports from 60 percent to 10 percent in the last year and is expected to reduce further going forward.

With GST in place later this year, we will have one big common market aided by seamless and easier transfer of goods and services across the nation. Implementation of GST is surely going to benefit the industry, as it will lead to lesser tax load and lower logistics and inventory costs while allowing faster movement of goods. E-Commerce may get impacted with uniform tax structure under GST.

In order to align with this change, industry players would need to reassess their logistics and supply chain system. We believe our Finance Minister will take into account views of the industry and consumers and come out with a budget which will improve the quality of life in rural India, give boost to economy and improves ease of doing business in India.

Rakesh Khanna is the CEO of Orient Electric