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# A REVOLUTION IN SUPPLY CHAINS



investment and structural reforms.

The International Monetary Fund (IMF) has lowered the growth projection for 2018 to 7.4 per cent from its earlier estimate of 7.7 per cent. However, the IMF is more optimistic about medium-term growth prospects for India through gains from the new indirect tax levy.

“GST (goods and services tax) promises the unification of India’s vast domestic market, is among several key structural reforms under implementation that are expected to help push growth above 8 per cent in the medium term,” it said.

Confidence in the Indian economy has increased substantially on account of the policy measures of the government and of the Reserve Bank of India, mainly the implementation of GST and the bankruptcy code.

The New Year will witness a revolution in terms of supply chains. With seamless movement of goods across India, logistics will be as efficient as it can get which will provide a shot in the arm for commercial vehicles. India has, in fact, notoriously high average waiting times and stoppages for commercial vehicles transporting goods.

The impact of the transition to GST was visible in the commercial vehicle segment, and given the inventory destocking across the board in June 2017, the automotive demand was relatively

mutated during the first half of the year. Going forward however, the expected growth in demand of commercial vehicles and two-wheelers will result in an automotive production growth in the coming year.

This is also good news for the tyre industry, which derives a significant part of its revenues from medium and heavy commercial vehicles. The imposition of definitive anti-dumping duties is another positive development for the industry.

According to an ICRA research report, the demand for tyres is expected to grow by 7-8 per cent during FY18 and FY19, boosted by higher original equipment manufacturer demand and stable replacement demand. Replacement demand for truck and buses is likely to pick up to 5 per cent in FY18 following the 0-3 per cent decline witnessed in FY17 (provisional).

Banks will now show the positive effects of the government’s comprehensive recapitalisation plan for public sector banks worth Rs 2.11 trillion (1.3 per cent of the gross domestic product) in FY18 and FY19.

This should ensure sufficient funding especially for ongoing capex projects and for small and medium enterprises.

However, any sudden spurts in oil and commodity prices remain key risks.

The government’s ongoing push for infrastructure, particularly roads, will continue to support investment growth next year. It has announced plans to build more than 80,000 km of roads across the country over the next five years, with a total investment of \$106 billion (0.8 per cent of GDP). **EW**

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**T**HE INITIAL hiccups of the new tax regime have subsided and the wounds of demonetisation have healed. It is now time for businesses to grow stronger on the reinforced foundation of the Indian economy.

“2018 should be 2017 in reverse,” says Nomura. The global investment bank has predicted India’s economy to grow at 7.5 per cent in 2018, saying it is on the cusp of a cyclical recovery. In fact, it expects the growth in the first half of 2018 to be at 7.8 per cent, higher than the 7.1 per cent in the second half of 2017.

The latest report on India’s economy by the UN pegs its growth at 7.2 per cent in 2018, while it expects it to touch 7.4 per cent in the following year on robust private consumption, public

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