Publication: Mint	
Page no: 14	Date: March 30, 2015

ECONOMY RECOVERY

Pick-up in investment cycle still some time away: top executives

By Staff Writers
feedback@livemint.com

MUMBAI

Growth in the Indian economy will recover slowly and a pickup in the private investment cycle is still some time away, according to top executives of corporate India who took part in a *Mint* post-budget analysis conference, *Budget 2015: Remaking India*, held in Mumbai on Friday.

India's GDP growth, under the new series, is forecast by the government at 7.4% for the year ending 31 March. Growth in the following year may accelerate to 8-8.5%, said finance minister Arun Jaitley in his budget speech on 27 February.

Despite the optimistic projections, corporate leaders who participated in a panel discussion at the event, said that a number of sectors continue to face weak demand and other constraints such as delay in execution and a build-up of stressed assets.

Keki Mistry, vice-chairman and chief executive officer (CEO) of **Housing Development Finance Corp. Ltd** (HDFC); Vikram Limaye, managing director and CEO of **IDFC Ltd**; Vivek Karve, chief financial officer of **Marico India**; Anup Bagchi, managing director and CEO of **ICICI Securities Ltd**; and Ajay Srinivasan, CEO of financial services at **Aditya Birla Group** participated in the panel discussion.

"These days the GDP growth number itself keeps getting recalculated. If last year we had a 7.5% GDP growth, then it does feel like 8%, but if last year was 5.5%, then this year is clearly not 8% GDP growth. I don't believe that we are likely to see 8% any time soon," said Limaye of IDFC, adding that unless the investment cycle picks up, growth will take time to revive.

Karve of Marico agreed that growth is still to come back, even though the economy was moving in the right direction.

"If you look at the volume number of the fast-moving consumer goods sector, those numbers after Q3 last year, started going down in terms of volume growth and more so in the urban sector. The urban poor was impacted the most due to the high inflation last year. This year we have been fortunate as the overall inflation is down. But if you ask me, if the ground reality is suggesting an 8% growth? The answer would be no," he said.

The panel agreed that until private investments pick up in response to a sustained revival in demand, the government will need to bridge the gap.

The government is looking at increasing capital expenditure directly and through central public sector enterprises in the current fiscal, it said in the budget. The government announced a ₹70,000 crore increase in infrastructure investments, even though that meant a delay in meeting fiscal deficit targets. For the financial year 2014-2015, the government is expecting to maintain a fiscal deficit of 4.1%—which was higher than what was anticipated by economists ahead of the budget.

According to HDFC's Mistry, the measures taken by the new government so far have been very encouraging and have facilitated the private sector by improving the ease of doing business in India and quickening the process of getting approvals.

"We haven't yet seen the investment cycle taking off, which I think has really been the key. I think it is a matter of time. I think we need to give it some more time," Mistry said.

Srinivasan noted that the decision to set up a National Investment and Infrastructure fund, with an annual inflow of ₹20,000 crore, will help the sector as it will empower smaller firms to grow and thus bring in more investments.

"The multiplier effect from the ₹20,000 crore helps in more funding towards infrastructure, and infrastructure has the highest multiplier effect in the economy, at about 3.5 times. This gives significant scope for other sectors to grow," he said.

Meanwhile, attempts to improve the dispute resolution and distressed assets framework through measures such as introducing a new bankruptcy law in the next fiscal and extending the Securitisation and Reconstruction of Financial Assets and enforcement of Security Interest (Sarfaesi) Act to non-banking financial companies (NBFCs), could have a substantial impact, said Bagchi.

"The Bankruptcy code must ensure that if there is a chance for business viability, the equity claims, creditor claims and employee claims must be reorganised to help the business get back to rails. If, however, the business viability is not established then the winding up must be quick to capture the asset value," he said, adding that the administrative and judicial systems must allow for a quick exit once non-viability of an asset or an enterprise is established.

Limaye added that just extending the Sarfaesi Act to NBFCs will do little good since the track record of recoveries under the act has not been encouraging. "We are in a framework where institutionally we are not geared up for what the country needs. The institutional architecture cannot be solved with a band-aid approach. To get any kind of transformational changes in these areas is difficult and will take time," he added.

Sameer Joshi/Mint

Recovery forecast: *(From left) ICICI Securities's Anup Bagchi, IDFC's Vikram Limaye, Aditya Birla Group's Financial Services's Ajay Srinivasan,* Mint*'s Ira Dugal, HDFC's Keki Mistry, and Marico's Vivek Karve during a panel discussion at* Budget 2015: Remaking India, *a* Mint *post-budget analysis conference held in Mumbai on Friday.*

ADITYA BIRLA
CAPITAL

PROTECTING INVESTING FINANCING ADVISING